STEWARDSHIP REPORT 2022

James Hambro & Partners

MESSAGE FROM OUR CEO

As a wealth manager our purpose is to support our clients in the stewardship of their assets to create better financial outcomes and long-term security for themselves, their families and future beneficiaries.

When we founded James Hambro & Partners in 2010, it was on the principle that trust, partnership and alignment form the bedrock of any sustainable relationship: with our clients, with our employees and with those companies in which we invest. These values remain at least as important now we are a business of 140 people managing £5.5 billion of assets for our clients as they were when we were only 10 people managing £50 million. At the centre of our business is an investment philosophy whose time horizon and principles are deliberately matched to the needs of our clients.

Responsible investment and long-term stewardship sit at the heart of how we manage our clients' assets. Not simply because it is the right thing to do but because we believe that responsible and sustainable companies are more likely to deliver enduring value for our clients.

Our global investment approach, grounded in sustainable growth, embeds rigorous environmental, social and governance (ESG) factors in our analysis alongside an engaged active ownership which promotes sustainable behaviour and a commitment to press for improvements in the wider market.

Businesses have a role to play in creating a healthy and enriching environment for their employees and the wider societies in which they operate. We expect the leaders of the businesses in which we are stakeholders to recognise the value in striving for a purpose that goes beyond pure profit seeking. We encourage business leaders to promote the wellbeing of their employees and the communities in which they work alongside the creation of shareholder value. Our own business has grown rapidly by being forward thinking and entrepreneurial.

Our culture, driven by our Partnership structure, is open, honest and ambitious. Our own Corporate and Social Responsibility Committee drawn from across our entire firm ensure that these issues get the focus they deserve internally. I have given my own commitment that we will judge ourselves by the same rigorous standards by which we hold others, constantly striving for better ways to look after our clients, each other, the wider community and hopefully the planet.

Andy Steel, CEO

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PRINCIPLE 1

PURPOSE, STRATEGY & CULTURE

CONTEXT & ACTIVITY

THE STRUCTURE AND CULTURE OF A FIRM IS AS IMPORTANT AS THE INVESTMENT PROCESS

Our structure and investment philosophy are built around what is best for our clients. As our business is owned by the Partners and wider team who work within it, we only make decisions for the long-term benefit of our clients and the Partnership.

This independence means we can put our current clients ahead of future growth. Portfolio managers are not incentivised on asset growth but on multiple factors that include service levels and portfolio performance as well as engagement with the internal development of our company and culture. This supports collaboration between all parts of our business.

Importantly, our Partners invest alongside our clients. We have a direct motivation to deliver both superior service and investment success.

THE PEOPLE ADVISING AND MANAGING PORTFOLIOS SHOULD BE DIRECTLY ACCOUNTABLE

A strong relationship with our clients is vital – that is why we don't put relationship managers between the client and the people managing their assets. This creates the trust and confidence that allows us to deploy the long-term perspective essential to effective engagement and a successful investment strategy.

With a focus on investment for private clients and charities and by limiting the number of relationships per portfolio manager we can ensure that the quality of service for our clients is never compromised.

SUPPORTING OUR TEAM TO SERVE THE BEST INTEREST OF CLIENTS

Our recruitment process is essential to attract the right talent to fit the client-centric culture at JH&P. We have built a cross section of ages within each department as part of a proactive succession plan. There is no positive discrimination overlay in our recruitment process; obtaining diversity is a function of employing the best people in the industry – driving an equal gender split of employees on our management committee.

To encourage professional development, employees are given significant support in undertaking professional qualifications. This includes:

- Financial support with exam and revision materials
- Organised revision courses
- Additional days of study leave

Alongside professional qualifications, JH&P also organises a range of internal courses and workshops to further promote the development of our team.

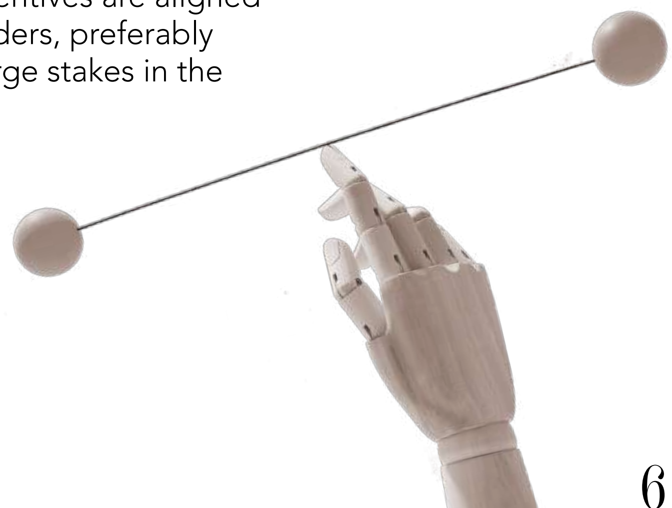
A SUSTAINABLE GROWTH INVESTMENT PHILOSOPHY CENTRED AROUND DIRECT OWNERSHIP IN INDIVIDUAL COMPANIES

JH&P offers segregated and pooled portfolios invested across a range of multi-asset frameworks, each built around a core of direct global equities.

We believe limited investor time-horizons result in markets undervaluing companies that sustain high returns on their invested capital over long periods of time. Our focus is on positioning portfolios to benefit from the long-term underlying growth of these businesses; ongoing stewardship and engagement is naturally aligned to our investment process and a key component of our success.

We look for companies with:

- Sustainable sales growth from essential services or products that are recurring or predictable in nature
- Durable competitive advantages supporting pricing power, such as brands, network effects or high switching costs
- Strong profitability and limited capital intensity leading to high return on capital through the economic cycle
- Management whose incentives are aligned with long-term shareholders, preferably through ownership of large stakes in the business themselves



To sustain returns, companies need to reinvest into future growth. For that growth to be maintained it must be sustainable in the eyes of all stakeholders in the business, not just investors. We use our own materiality-based framework to analyse a company's environmental, social and governance (ESG) credentials and to understand how they are addressing sustainability issues specific to them.

This sustainability analysis forms an essential part of our overall investment research, helping us to identify long-term winners and avoid firms exposed to potential risks and vulnerabilities. This then informs how and where we focus our resources for engagement and action.

Further information on our approach to integrating our stewardship activities in our direct company investments is set out under **Principles 2 and 7.**

THIRD-PARTY FUNDS PROVIDE EXPOSURE TO SPECIALIST AREAS

We combine direct equity investments with specialist funds that offer exposure to areas where the long-term structural themes are attractive, but where direct investment is more challenging, or where a diverse approach is more appropriate.

We expect managers of third-party funds we use to share our commitment to investing responsibly.

Our analysis of third-party funds includes both an assessment of the parent company's approach alongside an analysis of how ESG factors are incorporated into each underlying fund strategy. A commitment towards responsible investing at a parent company level is indicative of strong internal governance and culture and leads to a more rigorous integration of ESG considerations in underlying fund strategies.

FIXED INCOME AND ALTERNATIVE ASSETS USED TO BALANCE EQUITY RISK

Alongside equities, we invest in a range of diversifying asset classes including government and corporate bonds, infrastructure, absolute return funds and gold. These investments can be either direct or, more often, through third-party specialists. As with direct and funded equity investment, an understanding of ESG-related risks forms a core part of our fundamental analysis when considering our investments in diversifying assets.

Further information on how responsible investing sits at the core of our investment analysis is set out under **Principle 7.**

FOCUSED PORTFOLIOS COMBINED WITH A LONG-TERM MINDSET ENABLE EFFECTIVE STEWARDSHIP

Unconstrained portfolios typically contain around 50 holdings, consisting of 30-40 direct investments across global equities and government bonds, and 10-15 pooled investments.
This focused approach also allows our portfolio managers to know our underlying investments and management teams in depth, creating a strong environment for good long-term decision making and building relationships required for effective stewardship.

SUSTAINABILITY IN OUR OWN BUSINESS

It is equally important that we continue to improve the sustainability and Corporate Social Responsibility (CSR) practices within our own business.

While our environmental impact is relatively small given the size and nature of our business, we have worked with specialists to measure our carbon footprint and map out a strategy to achieve net zero emissions as a priority. Importantly, we recognise that Scope 3 emissions typically account for over 80% of a

company's total emissions footprint and we aim to address this area in our project. To assist with this, all staff have engaged in a carbon literacy workshop.

Beyond this we have offered staff access to a salary sacrifice cycle to work scheme and this year we have introduced a salary sacrifice scheme that can half the cost of any new electric car.

Other environmental initiatives include:

- Recycling includes glass, cardboard, food and mixed recycling. Paper is 100% recycled
- Lighting is all controlled through PIR movement and lights go off automatically after five minutes of inactivity
- All printing is set to two sided and black and white as default. We have reduced the amount of paper we print by over 40% in the last two years

Alongside investing in our colleagues' personal development, every employee is encouraged to use five days of paid leave per year for volunteering work. This can be with our charity partners, detailed below, or charitable or community projects that are important to the individual.

We currently have partnerships with two charities to offer volunteering, skill sharing and fundraising opportunities.

Greenhouse Sports offers coaching and mentoring to young people from underprivileged and vulnerable backgrounds in London with the aim of helping them overcome issues such as social integration, obesity and mental wellbeing. We partner with a specific school every year to aid them with volunteering and fundraising.

ReachOut is a national mentoring and education charity that works in areas where young people face a variety of social and economic challenges. ReachOut's programmes support young people to overcome the barriers they face and create wider positive change in society.

OUTCOME

Successful stewardship requires an environment that fosters stability and longevity. This allows relationships to develop between JH&P, our clients, and the investments we make on their behalf.

The nature of our partnership structure, and the allocation of equity to non-partners, provides the incentives that align our employees with the long-term success of our clients. Our portfolio managers are both the relationship manager and the investment professional. This simple structure creates a culture of accountability while aligning all our managers behind a single investment philosophy and process with sustainable growth and consistent performance at its heart.

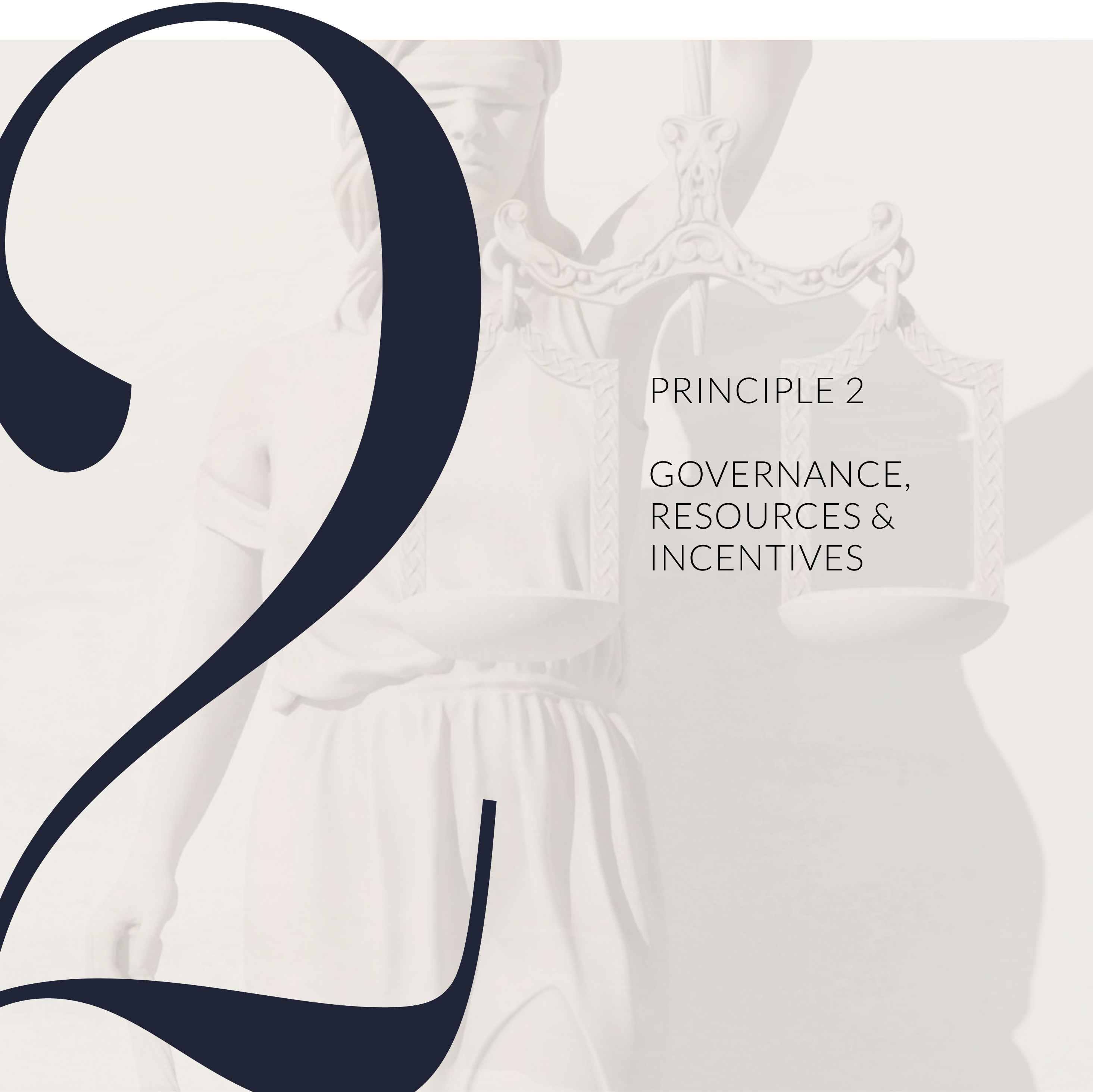
We believe the effectiveness of our structure and approach have been borne out in our low turnover – both in clients and employees – and in our strong risk-adjusted performance to date relative to our peers. Only two portfolio managers have left in the more than 10 years since the business was founded, both because of retirement, over which time JH&P has grown to manage over £5bn of assets and employ over 130 people. Over the last five years to 31st December 2022, each of our four core mandates have delivered above-average performance at lower-than-average risk as measured by ARC[1].

[1]ARC Research Limited (ARC) is an independent research firm specialising in the analysis of private client investment portfolio performance. See www.suggestus.com for more information. JH&P Cautious Mandate performance since inception on 1st Dec 2018 – 31st Dec 2022.

PLANS FOR THE YEAR AHEAD

As noted above, we are committed to reducing our environmental impact. In 2022 we partnered with Energise, an external consultant, to assess our own carbon intensity, to look at ways of reducing this, and to set a clear strategy for achieving Net Zero in line with the Paris Agreement.

The first phase of the project was data collection and was the focus during the reporting period. This involved a review of our current carbon baseline which can be mapped to the internationally recognised GHG Protocol. We look forward to reporting on the progress of this initiative in next year's report.



PRINCIPLE 2

GOVERNANCE, RESOURCES & INCENTIVES

ACTIVITY

GOVERNANCE

Sustainable growth and considered engagement have always been central to our investment approach and the responsibility of every member of the investment team. However, in response to increased focus on responsible investment from regulators, companies, and clients, we formalised our approach with the establishment of the Responsible Investment Committee (RIC) in 2020.

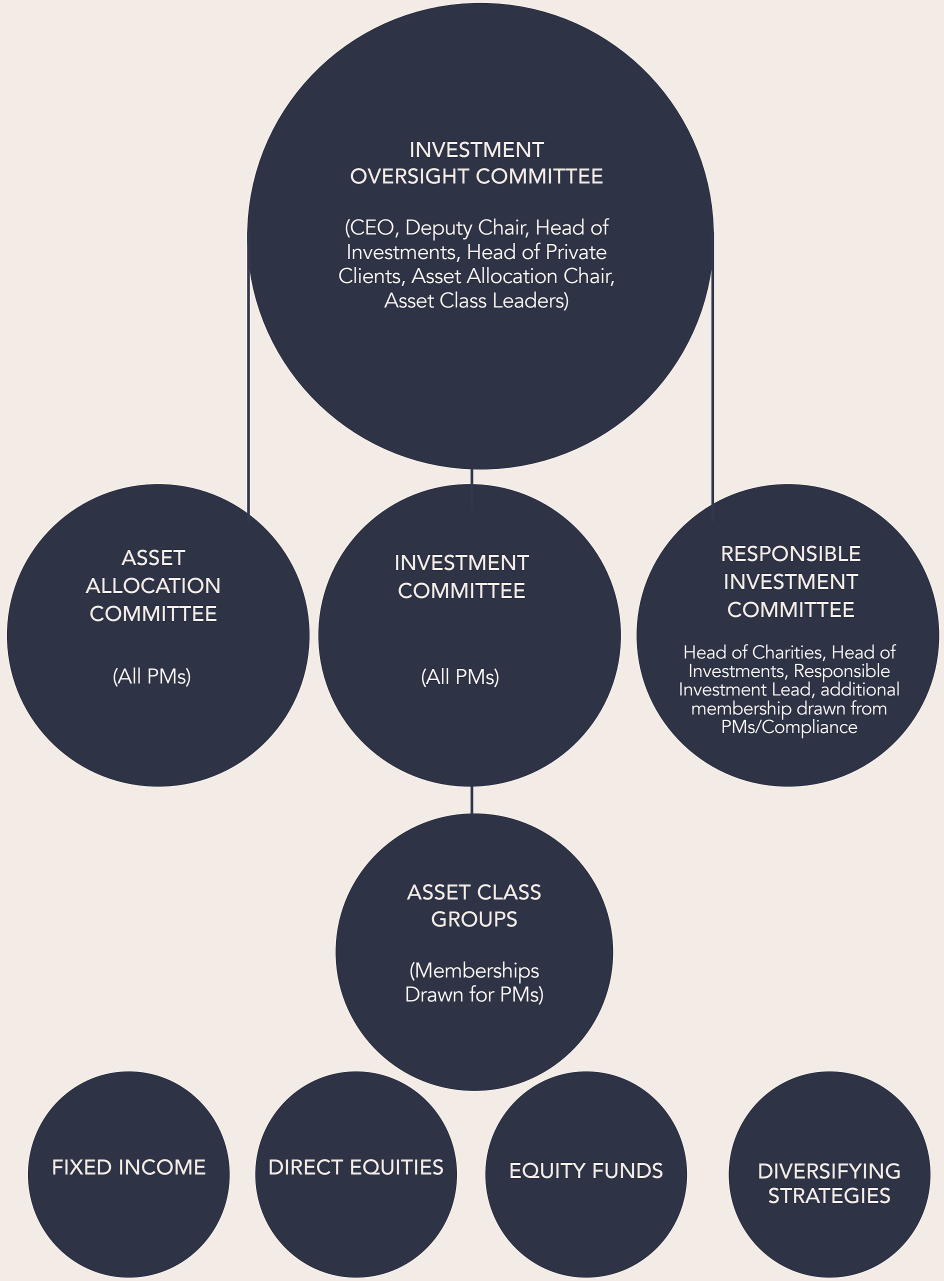
The RIC is chaired by our Head of Charities Nicola Barber and includes our Head of Investments James Beck as well as the heads of each asset class group.

Sarah Goose, JH&P's Responsible Investment Lead, and Patrick Trueman, Portfolio Manager, are further key members of the Committee.

Sarah sits across the asset groups to ensure JH&P's responsible investment standards and policies are maintained and works with other members of the RIC to develop and enhance JH&P's approach to responsible investment. She and Patrick also lead JH&P's industry-wide collaborative efforts on key issues – see **Principle 10** for further information.

The RIC also includes a member of our compliance team to ensure our direction is aligned with wider regulatory goals within the ESG space.

The RIC sits as a subcommittee to the Investment Oversight Committee (IOC). The IOC meets once a month to review all aspects of the investment process. In addition to the Head of Investments and heads of each asset class, the IOC also includes JH&P's CEO, Head of Private Clients, Head of Charities and Deputy Chairman.



INVESTMENT TEAM ORGANISATION CHART

KEY MEMBERS OF THE RIC

NICOLA BARBER - RIC CHAIR, HEAD OF CHARITIES, PARTNER

Nicola joined James Hambro & Partners in 2012 and is Head of Charities. She began her investment career in 1987 at N M Rothschild & Sons and specialised in portfolio management for charities, private clients, trusts and institutional pension fund portfolios, before joining the bank's private wealth management division as Head of UK Equities. From 2008 to 2011 she was a Director at Baring Asset Management. Nicola is a trustee and chairs the investment committee of the Citizens Advice pension scheme.

JAMES BECK - HEAD OF INVESTMENTS, PARTNER

James joined James Hambro & Partners in July 2017 and became Head of Investments in 2019. He also chairs the Investment Oversight and Investment Committees.

James looks after portfolios for onshore and off- shore private clients, trusts and charities. James began his career at James Capel Investment Management (latterly HSBC Investment Management) and was a founding partner of Cheviot Asset Management in 2006. James is a Chartered Fellow of the Chartered Institute for Securities and Investment.

SARAH GOOSE - RESPONSIBLE INVESTMENT LEAD, PORTFOLIO MANAGER

Sarah joined James Hambro & Partners in 2017 and works within the wider investment team as the Responsible Investment Lead and Portfolio Manager. Sarah graduated from the University of Exeter with first class honours in Latin & Ancient History and has since achieved the CISI Chartered Wealth Manager qualification, the IMC and the CFA's Certificate in ESG Investing.

PATRICK TRUEMAN - PORTFOLIO MANAGER

Patrick joined JH&P in 2020 to manage investment portfolios for charities, private clients and trusts. After graduating from Cambridge University, Patrick served six years in the British Army. Prior to joining JH&P, Patrick headed up the Charities Team at Aberdeen Standard Capital (abrdn).
He holds an MBA from London Business School and is a member of the Chartered Institute for Securities and Investment. Patrick recently completed the Impact Investing Programme at Oxford's Said Business School. He has also served as a trustee for several charities and on the Investment Committee of the country's first dedicated children's charity.

THE MAIN PURPOSE OF THE RIC IS TO:

- Ensure responsible investing and ESG considerations are at the centre of our investment process and analysis and applied in line with JH&P's sustainable investment philosophy
- Review responsible investing and ESG policies and make recommendations to the IOC of any changes
- Ensure our ESG policy is clearly understood and communicated to all stakeholders
- Consider regulatory changes that impact the investment process from a responsible investment perspective
- Provide a forum to address any other ESG-related topics that have been raised by members of the Investment Team

The RIC meets monthly and ad hoc with agenda items including a review of any ongoing or upcoming engagement activities, voting decisions against management teams for company AGMs and addressing any controversies arising within our underlying investments. We use MSCI Analytics to provide us with alerts on controversies that may occur but undertake our own research to form a judgement on the appropriate course of action.

Using our own analytical frameworks for each asset class, described within this report, the RIC assesses the practical implications of any issues or controversies that may arise, agrees a strategy for engagement and ultimately directs the Investment Team on the best course of action. This may include opening a dialogue with the company, engaging with third-party action groups or, where appropriate, the sale of the asset.

RESOURCES

PEOPLE

All investment analysis is undertaken by members of our Investment Committee. The team includes 20 investment professionals, with an average industry tenure of almost 20 years, supported by seven assistant portfolio managers. The Investment Committee is split down into smaller teams organised by asset class: direct equity investment, equity funds, diversifying strategies and fixed interest.

We only have one dedicated Responsible Investment analyst as we believe it is vital that every portfolio manager understands and integrates stewardship and responsible investing within their research. Our day-to-day stewardship and engagement is embedded within existing investment and oversight structures rather than a distinct ESG or stewardship department.

For example, company specific ESG-related research and proxy voting is enacted and overseen by the equity team, while analysis of fund due diligence questionnaires and engagement with fund managers and institutions is carried out by the funds team. The Responsible Investment Lead sits across these asset groups and assists the primary analyst in identifying and understanding any key ESG issues, while also supporting the monitoring of existing investments for any new risks or controversies that arise.

As set out in **Principle 1,** our focused approach allows us to study our underlying investments and management teams in depth, creating a strong environment for good long-term decision making and building relationships required for effective stewardship.

RESEARCH AND DATA PROVIDERS

We rely on primary sources to build our initial view when researching direct equity ideas. These include annual reports, sustainability reports, proxy statements and presentations. We also use third-party research specialists to further our understanding and to provide historical and relative context. Our external resources include investment banks, independent research houses and strategists, geographical specialists, and quantitative analysis tools. Our third-party research partners are increasingly providing dedicated ESG-related research, both on a sector and stock-specific basis.

To complement this research, we have added significantly to our sustainability and governance resources through MSCI and ISS over the past three years. These provide additional independent quantitative and qualitative information on companies' sustainability factors and governance policies. This has several important uses, including improving our communication to clients on portfolios' exposure to ESG factors such as overall portfolio ESG ratings and carbon footprint, and helping us to identify, quantify and track investment-related sustainability risks.

We are not led by MSCI's scoring methodology but use their output as another resource to complete our own sustainability framework and provide direction for further analysis. MSCI's ability to provide portfolio-level data across our client base was a key factor in our decision to partner with them.

Similarly, we use ISS as a resource and guide but are not bound by their voting recommendations, preferring to vote according to our own internal standards and beliefs. We often vote against management and contrary to ISS where we deem it appropriate. Further information on our voting activities is included under **Principle 12.**

Our third-party fund research aims to hold external managers up to the same standards we set for ourselves. We ask each fund under consideration for investment to complete a comprehensive due diligence questionnaire, allowing us to build a full understanding of how the manager integrates sustainability into their process and philosophy.

TRAINING

The Investment Team attend conferences on stewardship and ESG topics, with feedback provided to the wider team via emailed notes and updates at our weekly meetings. We also continued to host frequent meetings with ESG and sustainability analysts from our list of research providers over the course of 2022.

Encouragingly, we have also found traditional sector analysts to be increasingly knowledgeable on ESG topics relevant to their research coverage, meaning sustainability concerns have been explored in a more integrated and company-specific manner than in past years. Topics covered in 2022 included the impact of materials innovation on the automotive power semiconductor industry, opportunities arising across the industrial sector from the Inflation Reduction Act and how a range of consumer staple companies are addressing challenges such as raw materials sourcing and product recycling.

The Funds Team regularly reviews the dedicated sustainability and impact-investment fund universe, arranging meetings with fund managers to help us enhance our processes and investment approach. These meetings also develop our understanding of this evolving investment area. For example, while we are unlikely to invest directly in companies developing new battery technologies for electric vehicles, we may invest in companies that enable technologies such as semiconductors or commodity producers. Meeting with dedicated impact fund managers helps us build a deeper knowledge of the ultimate end market dynamics for our companies.

Given the developments over the past several years, the Responsible Investment Committee hosted an internal presentation updating the wider business on JH&P's Responsible Investment approach in during the reporting period.

Please see the outcomes section for more information on this and some of our training sessions during 2022.

INCENTIVES

No employee within our business is incentivised solely by growing assets under management. All investment team members are remunerated across multiple factors including contribution to company growth, client management and research input.

As sustainability is integrated into our Sustainable Growth framework, we believe that assets that enable improvements across the ESG spectrum will provide the best outcomes for our clients. Ensuring our employees are sensitive and proactive to this strategy is part of their overall incentive framework.

In addition, we operate a long-term incentive plan for employees which is judged over a multi-year period. This rewards them over time with equity ownership within the business. The purpose of the scheme is to align employees with longer-term client success and growth in the business whilst encouraging staff to think and behave as long-term owners and stewards of the business.

OUTCOME

Responsible investing is integrated within our day-to-day processes and research, and the longer-term aims and benefits of effective stewardship are well aligned with our culture and investment philosophy.

The formation of the RIC in 2020 greatly improved our governance of these processes and allowed greater oversight, management and accountability of our overall responsible investment activities and achievements.

We also believe the involvement of senior investment team members in RIC membership evidences the importance we place on our stewardship and engagement responsibilities.

While much progress has been made since the establishment of the RIC, in last year's report we highlighted areas for improvement, particularly around internal and external communication of our responsible investing activities. Our progress across these areas is detailed below.

INTERNAL REPORTING TO THE INVESTMENT TEAM

During 2022, we established an internal responsible investment database to provide a central resource for the investment team to find information relating to responsible investment and engagement in one place.

For all companies on JH&P's recommended buy list, the database contains:

- Headline dashboard showing summary scores from latest JH&P 5-point sustainability review alongside MSCI ESG ratings
- Overall sustainability score and classification under JH&P's Mitigating, Transitioning, Enabling tiering system; this provides a measurable way to help rank prioritisation for our engagement work
- Headline information detailing whether each company meets JH&P's climate requirements on both targets and reporting
- Scope 1 & 2 emissions data and Scope 3 where available

The database also includes an engagement tracker detailing engagement activity with companies across JH&P's buy list, bench or research pipeline. The tracker provides summary information on:

- Date and type of meeting (e.g., one-on-one, group, in-person, video call)
- JH&P attendees
- Company representatives and position
- Engagement topics discussed grouped by JH&P's 5-point sustainability framework

Finally, this resource also tracks third-party fund engagement activities and JH&P's collaborative engagement activities.

The database is overseen and managed by the Responsible Investment Lead. Primary analysts for each company or fund are responsible for ensuring that data relating to sustainability matters is kept up to date and research notes and engagement materials are saved in the relevant company or fund-specific engagement folder.

This database has greatly improved the internal communication of ongoing stewardship and engagement work by giving the investment team a comprehensive and up-to-date overview of our responsible investment activities in one place.

The database has also helped the RIC improve its tracking of ongoing and future planned engagement activity, helping to ensure timelines for follow-up engagement do not drift.

INTERNAL REPORTING TO THE WIDER BUSINESS

In September 2022, the Responsible Investment Committee gave an internal presentation on JH&P's Responsible Investment approach.

The presentation updated the wider firm on the work the investment team had been undertaking over the last few years. Areas covered included: how JH&P thinks about Sustainability and Responsible Investing from a philosophical viewpoint; how we approach investing across different asset classes; sustainability projects currently live or in the pipeline; and the regulatory landscape.

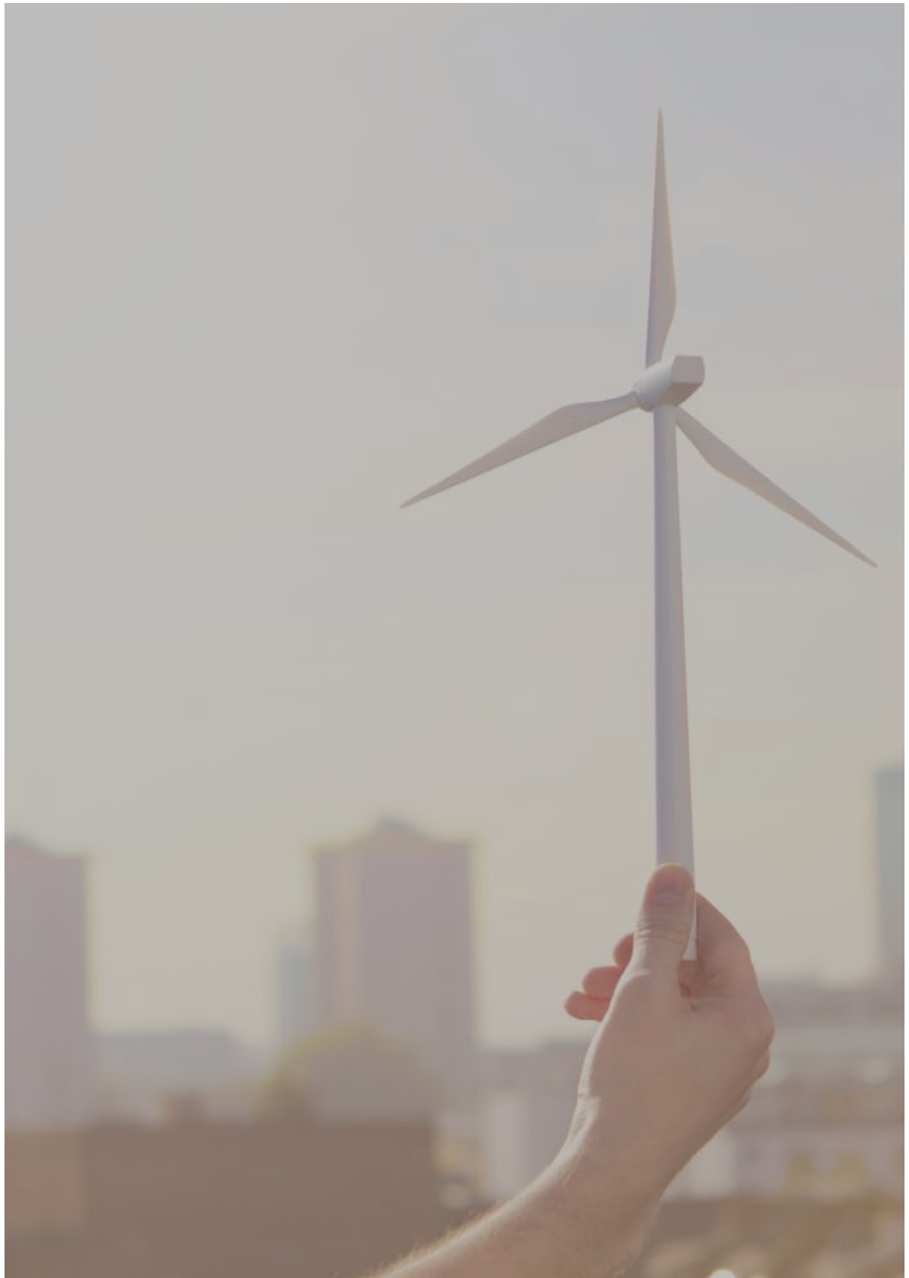
The update aimed to inform everyone at JH&P about the progress made in this area and to arm them with knowledge should clients, intermediaries or potential new clients ask questions relating to our approach.

EXTERNAL COMMUNICATION OF OUR RESPONSIBLE INVESTMENT ACTIVITIES

We are working with BITA Risk to configure and apply their BITA Wealth ESG Manager tools to enhance our investment process and external reporting. The BITA functionality supports a manageable, graduated approach to delivering sophisticated ESG investment analytics and client reporting, capturing investor ESG preferences and allowing the effect of ESG overlays on a portfolio to be understood.

STRENGTHENING OUR SKILLS AND KNOWLEDGE

As an investment team we continue to focus on building our knowledge to support our stewardship work. Alongside regular interactions with analysts from our list of research providers we also organised specific sessions with external specialists during the reporting period. Examples of some of these sessions are set out below.



OXFORD SUSTAINABLE FINANCE SUMMIT – JULY 2022

Nicola Barber (RIC Chair, Head of Charities) attended the inaugural Oxford Sustainable Finance Summit in July 2022. This was a two-day event attended by over 200 delegates and speakers covering regulators, Central Banks, consultants, industry bodies and asset owners.

Key industry specialists provided important updates on areas including regulation and direction of policy, geographical variances in attitudes and approach, and barriers preventing progress.

The conference was both reassuring and insightful in terms of JH&P being broadly on track with its regulatory roadmap and learning from how other investment firms are tackling responsible investment issues. It also reinforced the importance of collaborative action, with the evidence continuing to suggest that individual engagement has a low likelihood of success for a company of our size. In response we have spent more time engaging with the PRI and IIGCC in the reporting period. Please see **Principle 10** for further information on our collaborative engagement activities in 2022.

IIGCC/JH&P TRAINING SESSION – THE SUSTAINABLE FINANCE REGULATORY LANDSCAPE – FEBRUARY 2022

In February 2022, we met with the IIGCC to discuss changes to the UK's sustainable finance regulation following its departure from the EU. The UK TCFD and Sustainability Disclosure Requirements for asset managers will have far-reaching implications for reporting and disclosures across our industry and the companies in which we invest. This was an important high-level overview to introduce the RIC and compliance team to the potential changes ahead.

BIODIVERSITY WEBINAR WITH ANDREW MITCHELL – FEBRUARY 2022

We organised a webinar for JH&P and our clients with Andrew Mitchell, Vice Chair of the Stewardship Council of the Taskforce on Nature-related Financial Disclosure (TNFD). Chaired by our Head of Investments and Responsible Investment Lead, the webinar focused on the rapidly emerging opportunities surrounding "nature positive" finance. As a result of the session, the team is now more aware of the factors threatening biodiversity, the key impacts of biodiversity loss and the likely incoming regulations and initiatives that will tackle these issues. For further detail please see the outcome section of **Principle 4.**

PRINCIPLE 3

CONFLICTS OF INTEREST

CONTEXT, ACTIVITY & OUTCOME

JH&P is committed to taking all appropriate steps to identify and properly manage conflicts of interest between the firm and its clients, and between one client and another.

While the firm arranges its organisation and administration to prevent conflicts of interest from adversely affecting the interests of clients, there are certain areas where a risk, however small, may remain.

Our Conflicts of Interest Policy, which can be found on our website via this link, sets out how the conflicts are identified and managed. The policy is owned by Business Control And Risk Management, who at least on an annual basis take steps to assess current and identify new conflicts of interest to ensure that our organisational and administrative arrangements are sufficient to prevent or manage each conflict.

All employees are required to sign an annual attestation that they have read and understood the policy. Employees are alerted via email prompt on an annual basis. The policy is also included in the staff handbook for new joiners and within the internal company sharepoint.

The Conflicts of Interest Policy covers a wide range of potential conflict scenarios and identifies how they are/would be managed, including:

STEWARDSHIP

Some conflicts of interest may arise when the firm is executing its rights and obligations to participate in stewardship of companies, where our clients or their connected parties are Persons Discharging Managerial Responsibilities (PDMRs). In these situations, we will vote in line with our Voting Policy and ISS recommendations.

In circumstances where we decide to vote either against our Voting Policy or ISS recommendations, presence of any conflict of interest will be checked against the PDMR log and where a potential conflict of interest is identified, the voting course will have to be reviewed and approved by the Responsible Investment Committee.

During the reporting period there were four instances where we voted against ISS recommendations. None of these involved a PDMR client or any other conflict of interest.

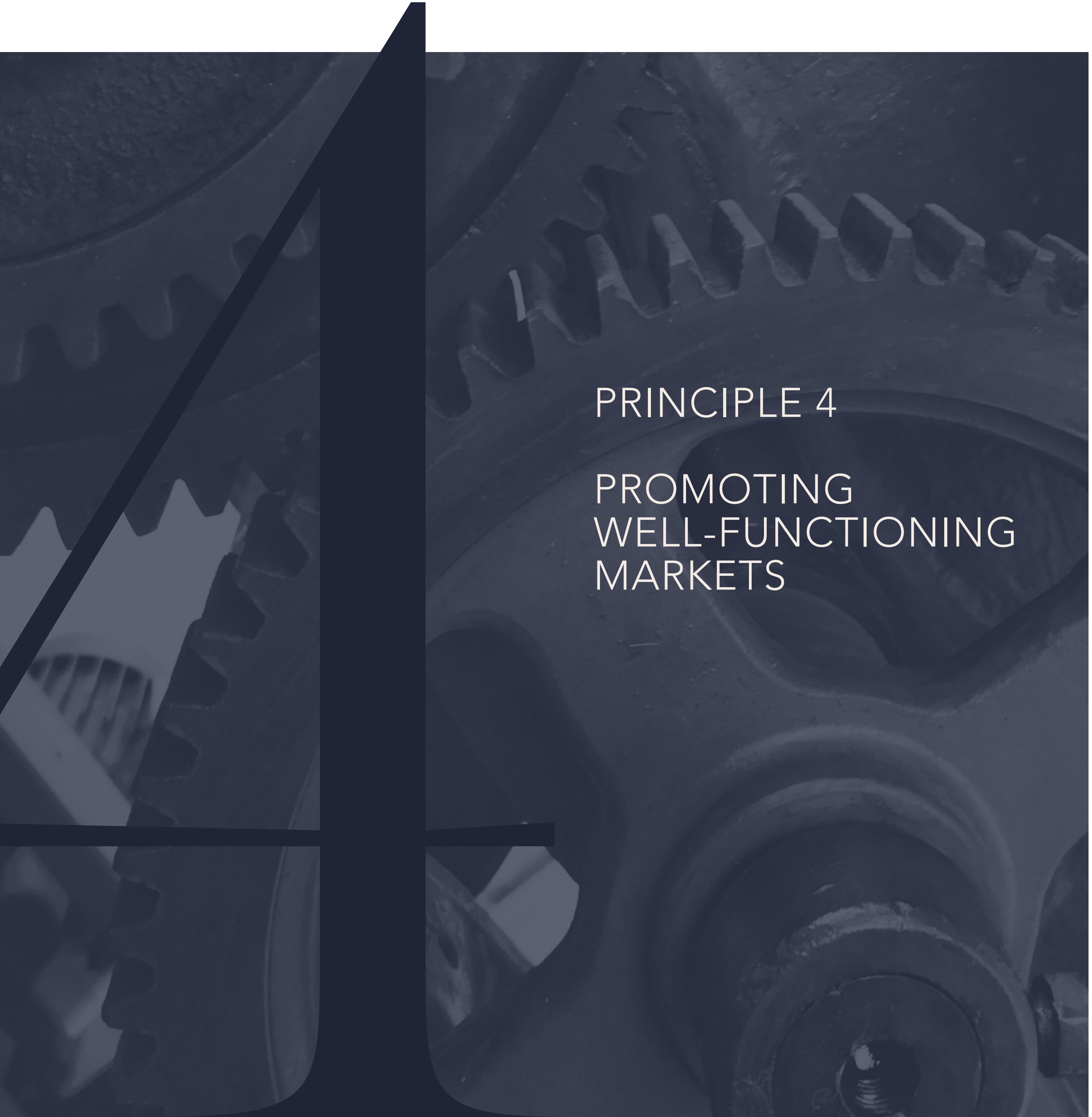
EMPLOYEE PERSONAL DEALING

We have in place policies and procedures designed to prevent our employees personal account dealing impacting the outcomes for clients. This includes prohibiting dealing at certain times to prevent frontrunning and tailgating, imposing minimum holding periods and requiring pre-approval for trades.

As part of their responsibilities, all our investment staff require access to the third-party research which is paid for by clients. Our collaborative investment process supported by independent monitoring procedures is designed to ensure that investment opportunities identified as suitable for our clients are taken up for clients before being transacted for personal accounts.

DIRECTORSHIPS, SHAREHOLDINGS AND OTHER INTERESTS IN COLLECTIVE INVESTMENT SCHEMES OUR CLIENTS ARE INVESTED IN

A small number of employees, officers and partners of the group have outside roles in firms which manage collective investment schemes that we may select or recommend for our clients' portfolios. We have implemented procedures to restrict the influence that such individuals may have over the purchase or sale of such funds in client portfolios.



PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

ACTIVITY & OUTCOME

Our multi-asset approach to investment involves the identification of, and response to, market-wide risks such as changes in interest rates, inflation rates and geopolitical issues as well as the consideration of systemic risks such as climate change.

An emphasis on portfolio diversification, liquidity and security above unrealistic investment returns provides the first defence against unexpected risks. We avoid overly complex financial instruments that may carry hidden risks and instead invest in assets that are more easily understood as well as being easily traded so that clients can access their money when required. We aim to ensure that over 90% of client assets can be liquidated within ten working days.

MARKET-WIDE RISKS ADDRESSED THROUGH USE OF DYNAMIC ASSET ALLOCATION

Once we have established the long-term strategic asset allocation profile for a client, we then apply our 'real world' tactical asset allocation overlay to reflect the prevailing market risks and opportunities. Adjustments are made within the asset class ranges as agreed.

The core of all our client portfolios is listed developed market equities but at times of heightened market risk we can increase portfolios' allocation to defensive asset classes to mitigate the impact of potential market drawdowns.

These defensive assets include government bonds, gold, inflation-linked securities and alternative investments, and are assessed on their ability to provide protection against risks such as rising interest rates, inflation, currency movements or equity market weakness. Our primary aim is to build portfolios that are resilient to a range of potential scenarios without sacrificing the potential to deliver growth ahead of inflation over the longer term.

We hold a monthly asset allocation meeting to assess where the best long-term investment opportunities lie and adjust the weightings in the underlying assets, if needed.

We use a combination of tools to determine our tactical asset allocation, including:

- Fundamental research on economic cycles, geopolitics and central bank policy
- Valuation analysis across asset classes, geographies and sectors
- Shorter-term indicators such as company earnings revisions, fund flows and investor surveys

CASE STUDY

During 2022 we hosted several meetings with economists, geopolitical experts and market strategists in order to better understand the evolving economic environment. Areas discussed included:

- The likely development and impact of central bank and government policy response in the face of generational highs in inflation
- The continued impact of the Covid pandemic both at a regional level – particularly in the context of China's ongoing zero-covid policy and a sector level (e.g., a switch in consumer spending away from goods towards services)
- The near-term impacts of the war in Ukraine and the longer-term ramifications on global supply chains, government policy and the geopolitical environment

These meetings helped inform our decisions to:

- Reduce exposure to individual investments likely to suffer should we enter a prolonged period of higher and/or more volatile inflation, interest rates and economic growth
- Increase exposure to assets that could provide protection in more extreme policy or economic scenarios, such as cash, inflation-linked bonds and commodities
- Broaden our equity exposure to build increased resilience across portfolios and to reflect an evolving environment where the long-term market leadership may look different to the recent past. Over the reporting period this resulted in a gradual decline in portfolio exposure to technology and consumer sectors and a corresponding increase to industrial and commodity sectors

SYSTEMIC AND MATERIAL STOCK-SPECIFIC RISKS PRIMARILY ADDRESSED THROUGH INDIVIDUAL SECURITY RESEARCH

As mentioned throughout this report, we integrate ESG analysis into our fundamental research to understand and account for systemic risks, such as climate change, regulatory developments or changing consumer trends.

Climate change is the most pressing and universal threat faced by the world today. As investors we have a duty to manage the risks associated with global warming and to look for the opportunities presented by the shift to a lower carbon economy.

We seek to assess the climate-related risks of all potential investments through our own primary research and using data provided by external analysts including specialist ESG providers, as detailed in **Principle 2.**

When assessing a potential investment, we expect the business to have considered specific climate-related threats and their potential impact, and to have shown a genuine commitment to addressing these challenges by reducing their own greenhouse gas emissions.

Alongside this intent, we expect them to measure and report on their greenhouse gas emissions in accordance with a widely accepted reporting framework such as the TCFD and have in place a clear strategy to reduce these outputs in accordance with global efforts to limit temperature rises in line with the UN Paris Agreement.

If we have concerns about the commitment of a business to reduce their environmental impact and report on their emissions and climate-related risks, we will engage with them to push for change. We recognise the important role that active ownership can play in driving positive outcomes and ultimately promoting well-functioning, more resilient markets as a result. Please see one such engagement, with Intuitive Surgical, included within **Principle 9.**

However, if we do not feel that our concerns are being addressed in an appropriate time frame, we will ultimately disinvest.

CASE STUDY

BIODIVERSITY LOSS

In last year's report, we highlighted our intention to learn more about how asset markets and our portfolios may be exposed to risks relating to biodiversity and natural capital. In contrast to the significant regulatory and corporate focus on climate change, there has been relatively little discussion on all other forms of nature-related risk from water to landscapes and oceans to date.

Our investment style typically leads to lower exposure to carbon-heavy sectors; wider impacts on biodiversity and natural capital may be a greater threat to the competitive position of many of our investments in the future.

Adding to the challenge and in contrast with efforts to fight climate change, where there are clear quantitative goals to reduce greenhouse gas emissions, the numerous drivers of biodiversity loss make it more challenging to measure and monitor individual company impact.

To address these issues, we hosted an interactive webinar with Andrew Mitchell in February 2022 for the benefit of both JH&P employees and our wider client base. Andrew is Vice Chair of the Stewardship Council of the Taskforce on Nature-related Financial Disclosure (TNFD).

Protection and restoration of biodiversity and ecosystems forms one of the pillars of our 5-point sustainability framework used to assess individual companies in

which we invest - the session greatly improved our understanding of both risks and opportunities in this area and where we can best target our engagement to improve outcomes.

The webinar focused on a range of topics such as:

- The factors threatening biodiversity, and how policymakers and investors can learn from the global focus on tackling climate change to address nature's decline
- The key impacts of biodiversity loss and humankind's reliance upon the health of the natural world
- Understanding which incoming regulations, frameworks and initiatives will tackle these issues
- The role financial markets and participants can play, and how accounting for natural capital can increase awareness of risks and opportunities
- Key innovations which have been made across a variety of sectors and how the investment landscape will evolve

While work in this area remains at an early stage, it was pleasing to hear from companies embracing technologies to drive change. Nestlé and Unilever, for example, are investigating the potential of plant-based proteins, while Alphabet is gradually expanding the scope of google maps to allow complex geospatial analysis to help measure human impact on the land.

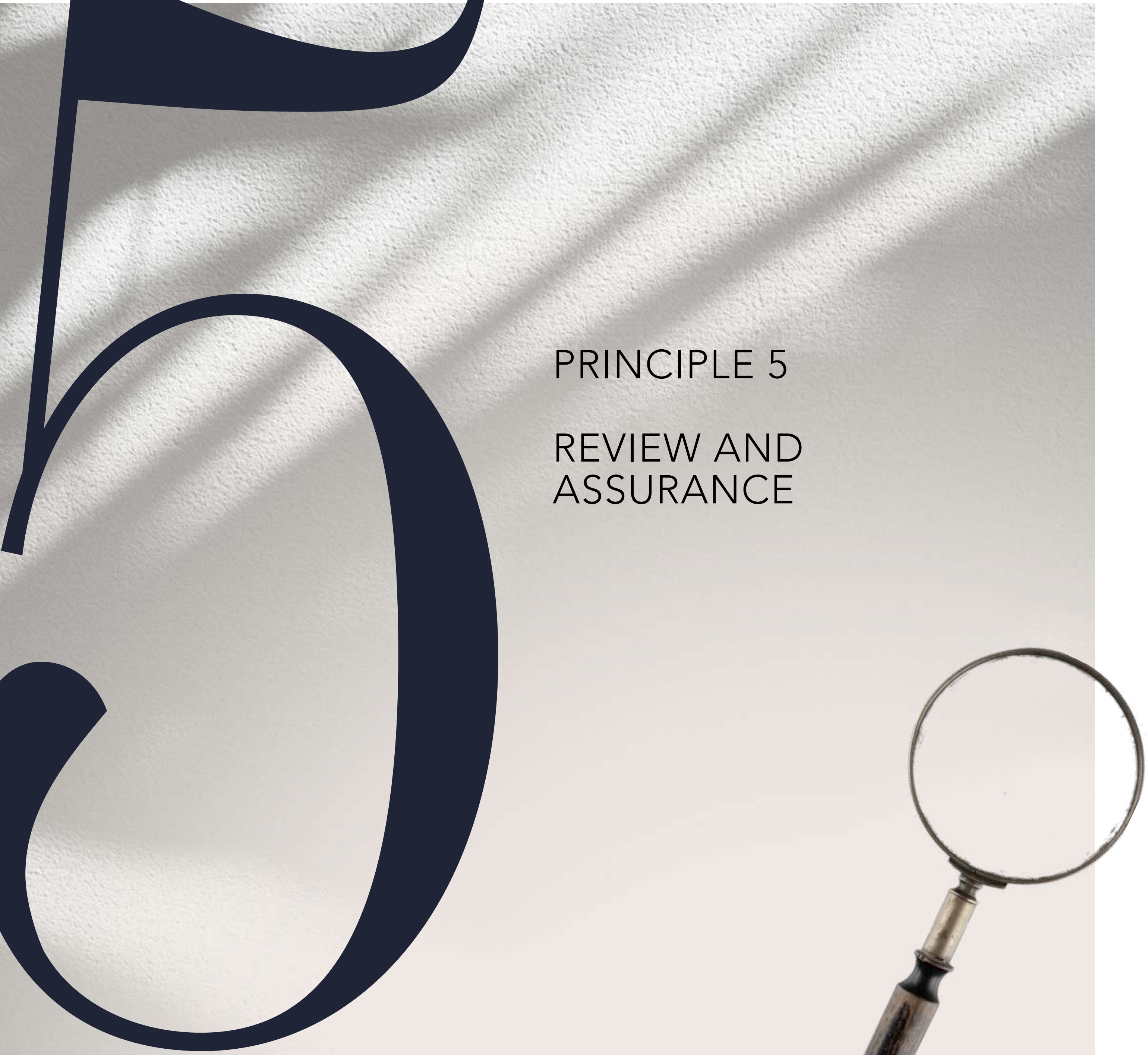
COLLABORATION

We work with wider stakeholders and industry groups to help identify and address market-wide risks. This includes:

- JH&P is a member of PIMFA, and through them engages with the broader industry, the FCA and HMT. We attend their annual financial crime and compliance conferences
- Andy Steel, JH&P's CEO, is a member of PIMFA's strategic advisory group
- Penny Kunzig, JH&P's MLRO, is a member of PIMFA's Financial Crime Committee as well as the Institute of Money Laundering Prevention Officers whose she attends
- Senior Members of the compliance team meet regularly with industry peers at regulatory seminars and round tables run by their professional advisors

As detailed in **Principle 10,** we work with collaborative bodies such as the Principles for Responsible Investment and the Institutional Investors Group on Climate Change to help us address systemic risks we deem most important to our business and wider markets, such as improving climate reporting transparency and consistency.

Given our relatively small size these collaborative engagements are particularly important.



PRINCIPLE 5

REVIEW AND ASSURANCE

ACTIVITY

Our policies are subject to continual review by our investment committee, operations department and compliance teams.

The Investment Oversight Committee has ultimate responsibility for all our responsible investment policies and reporting.

The Investment Committee (which includes all Portfolio Managers) is responsible for the day-to-day integration and evolution of our integrated responsible investment approach, with risks and opportunities, and associated engagement and voting, discussed regularly during investment team meetings and research pieces.

The Responsible Investment Committee is then tasked with the following review and assurance responsibilities:

- Establishing and maintaining an appropriate Sustainability framework and related policies to meet JH&P's regulatory and compliance obligations

- Ensuring compliance with regulatory parameters that are aligned to the UNPRI, Stewardship Code and other practices as they arise

- Reviewing and approving the voting and engagement policy on an annual basis or ad hoc in the event of any changes to policies. For example in 2022 we updated our voting policy to address the issue of unequal voting right structures – see outcome section for more detail.

- Providing oversight for implementation of client ethical policies and restrictions

The RIC also independently reviews investment recommendations and JH&P 5-point sustainability reports from a responsible investment standpoint, challenging those deemed inconsistent with our investment process. See **Principle 7** for more information on JH&P's 5-point sustainability reports.

To help ensure our reporting is fair, balanced and understandable, all stewardship communication is shared with the RIC, the wider investment team and our compliance department ahead of publication to clients. All team members are encouraged to highlight areas where our communication is unclear, overly complex or could be improved.

All finalised policies and activities are communicated internally across the investment and compliance teams, with key process and milestones being shared with clients and external advisers via our website. This includes our voting policy and activity, as well as JH&P's overarching approach to responsible investment. In 2022, we have updated these to include our new engagement policy and are exploring ways to increase transparency of reporting on engagement activities and wider responsible investment achievements to clients.

OUTCOME

In addition to this approach of regular internal review, in 2022 we engaged NorthPeak Advisory, a leading ESG advisory business partnering with asset managers, to provide an assessment of JH&P's overall stewardship processes and to highlight gaps or areas for improvement.

The main recommendations from this assessment were to formalise our engagement policy and create an internal tracker of action, as well as need to enhance our stewardship processes and activities within the non-equity areas of our portfolios.

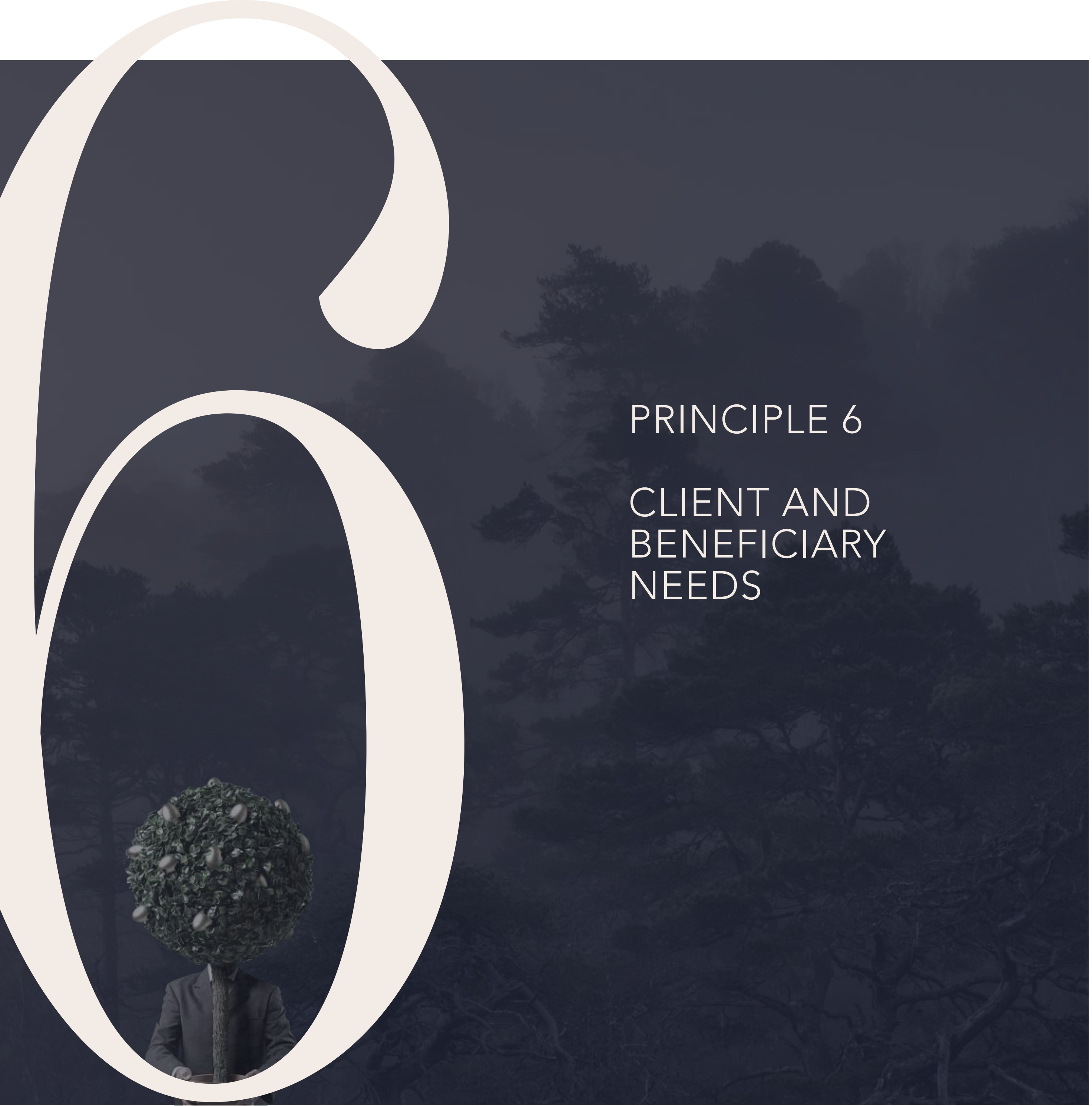
We discuss the introduction of a central responsible investment database in **Principle 2** that aimed to address many of NorthPeak's suggestions. We have also increased our focus on tracking the engagement carried out on our behalf by third-party funds within client portfolios. Please see **Principle 7** for more information.

We also carried out a client survey in partnership with AON in September 2021 to understand what clients valued and where we could improve. Please see **Principle 6** for further detail.

As mentioned above, we updated our voting policy in 2022 to address the issue of unequal voting right structures. We will now generally vote against directors at all companies with such structures, to support the principle of one-share-one-vote equity structures. This is particularly important for smaller investors and investment groups such as JH&P. However, we recognise that in certain jurisdictions, for example the Nordics, in many cases where the company's share structure contains unequal voting rights the main shareholder is an independent commercial foundation. This arrangement is often aligned with long-term shareholder interests. As with all our policies, we can and do deviate from our guidelines if we believe it to be in our clients' best interests.

As noted in last year's report, we introduced a new online client reporting portal in 2022. The early stages focused on improving the clarity with which we present portfolio data, including asset allocation, individual holding information and transaction data, while also improving ease of use and encouraging greater uptake across our client base. The new portal also provides additional security, allowing clients to access valuation reports and other documents in a secure format.

Following the successful roll-out of the portal in 2022, we now aim to introduce enhanced performance reporting and more detailed information on each portfolio's sustainability factors and stewardship outcomes in the year ahead.



PRINCIPLE 6

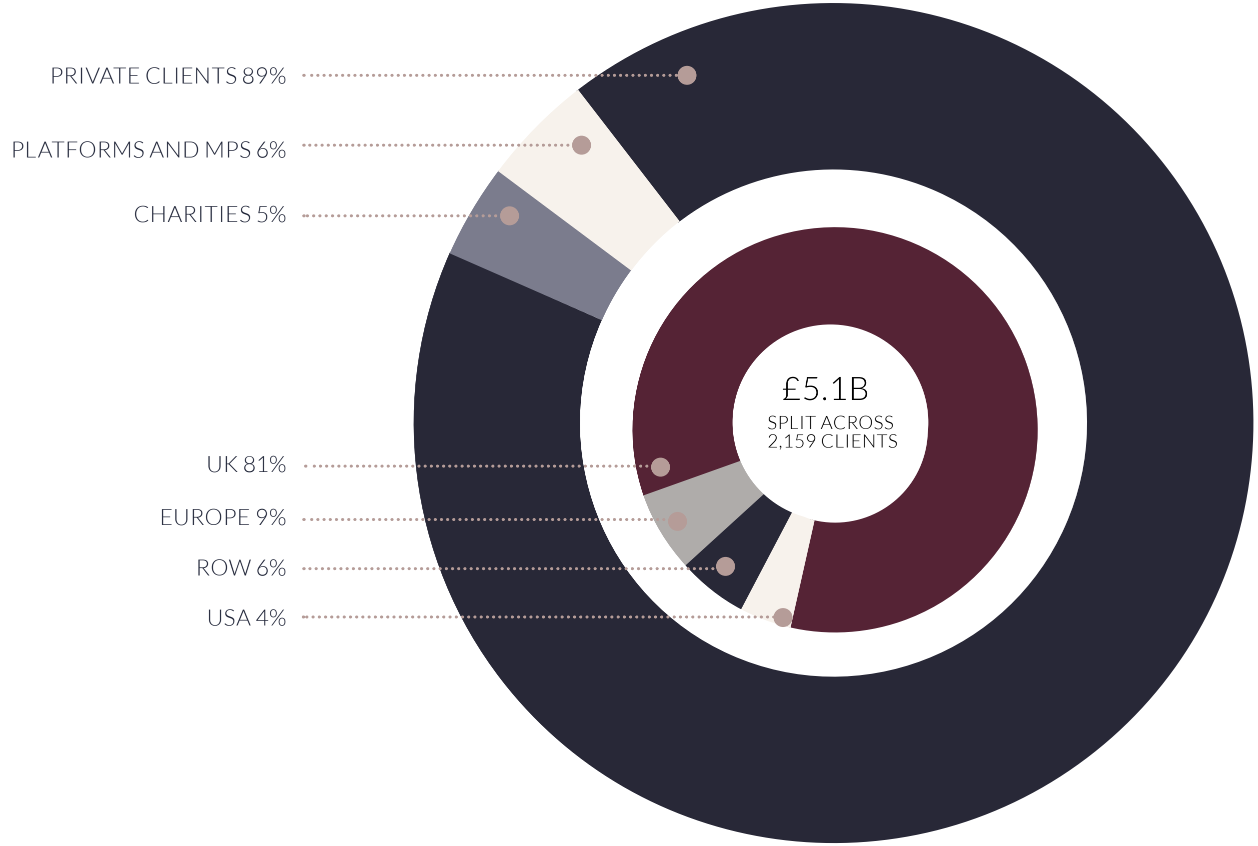
CLIENT AND BENEFICIARY NEEDS

As a discretionary investment manager our core purpose is to create better long-term financial outcomes for our clients. To do this we invest directly in stocks and specialist funds to build portfolios that are tailored to the specific requirements of our clients.

Our clients have long-term investment time horizons, with the majority five-years plus and in many cases much longer. As noted in **Principle 1,** we believe companies which recognise the need for change and allocate capital responsibly, by putting environmental, social and governance considerations at the centre of their strategic frameworks, are more likely to succeed over the long term. Our sustainability analysis forms an essential part of our overall investment research, and we recognise the importance of exercising our right to vote on behalf of our clients and to engage with the companies that we invest in.

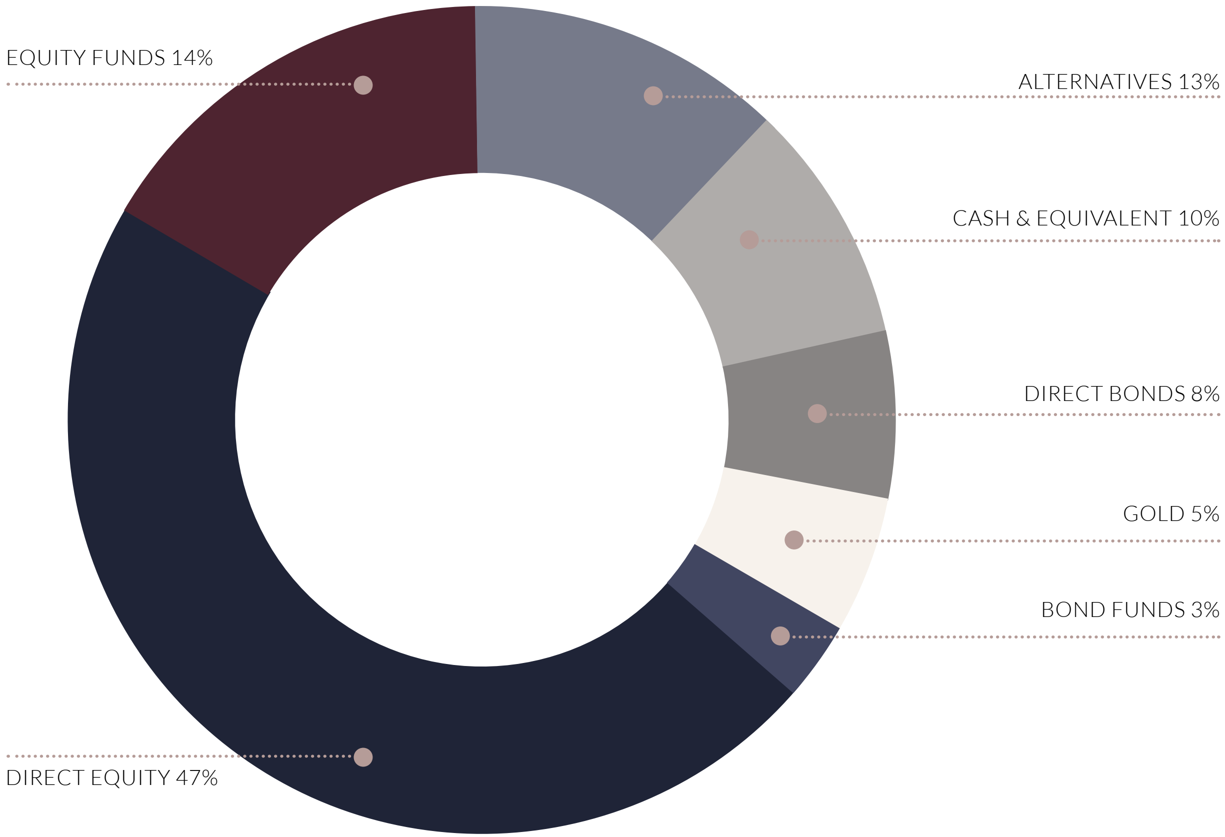
We believe this approach is essential to mitigate ESG-related risks and in doing so help to maximise long-run financial returns at a lower level of risk. We therefore apply our ESG integrated investment philosophy across all portfolios managed for our clients and do not run separate ESG or engagement-focused strategies.

As of 31 December 2022, JH&P's assets under management, advice and administration was £5.1bn, split across 2,159 client relationships by geography and type as follows: Client relationships under £5m represented almost 45% of our AUM, relationships between £5m and £10m a further 21% and relationships over £10m accounted for 34%.



While individual clients have varying investment objectives and risk tolerances, all have the common objective of at least protecting the real value of their assets over the longer term.

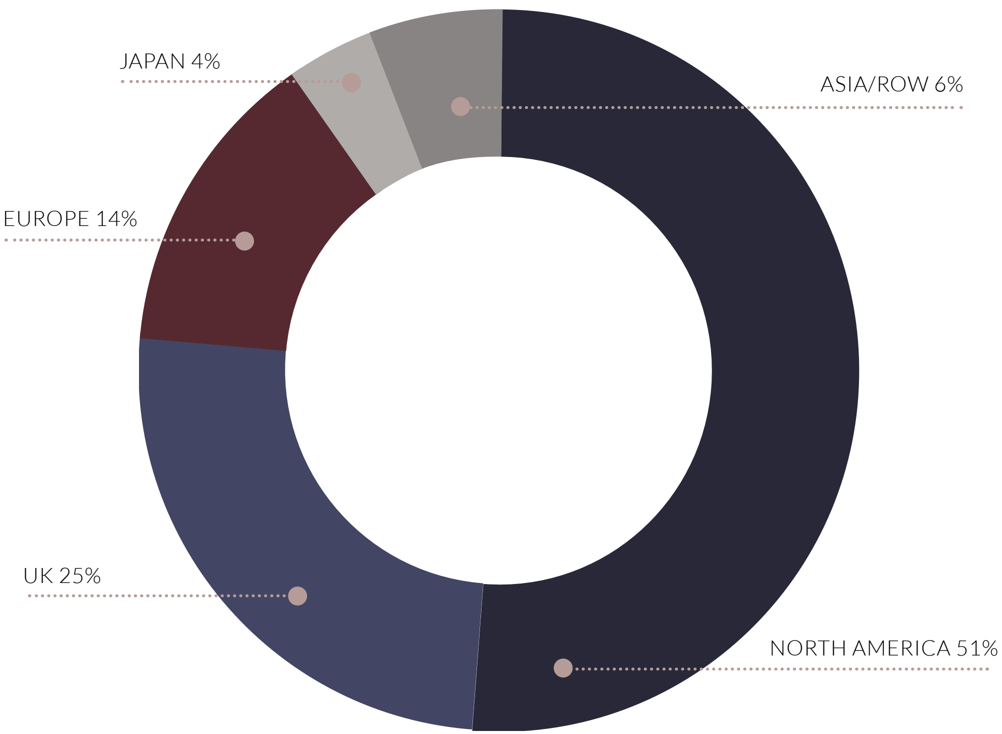
This means that even our lower-risk portfolios have a sizeable allocation to listed equities, balanced with holdings in fixed income assets, alternatives and cash. An overall breakdown of assets held on 31 December 2022 is shown opposite.



% AUM BY ASSET CLASS (AT 31.12.21)

DIRECT INVESTMENTS REPRESENT 65% OF OUR ASSET BASE, WITH 35% INVESTED VIA THIRD-PARTY FUNDS INCLUDING ETFS.

The geographic breakdown of our direct equity investments as at 31 December 2022 is shown below.



DIRECT EQUITY SPLIT BY GEOGRAPHY

ACTIVITY & OUTCOME

TAKING ACCOUNT OF CLIENT NEEDS AND VIEWS

When meeting a potential new client, we carry out extensive due diligence to understand their financial requirements and to ensure that the investment approach is suitable. As we do not recommend investment in any of our mandates for clients with time horizons of less than three years, we consider all our clients to have at least a medium-term investment horizon.

In practice, most of our clients have a time horizon considerably longer, often multi-generational. Given we believe ESG-related risks and opportunities are material for even medium-term business prospects, we apply our ESG integrated investment philosophy across all portfolios.

However, in addition to our standard approach, part of the client onboarding process involves a discussion on ethical investing. We offer our clients the opportunity to screen out direct investment in sectors that are at odds with their principles or ethical beliefs. Over 10% of our clients have provided us with specific ethical screens and we manage portfolios for several clients (generally charities) that have very detailed screening requirements to ensure their portfolios are not at odds with their charitable purpose.

Where clients have requested certain investment exclusions, these are coded into our dealing system and a monitoring process allows us to block any purchases which might breach a client restriction and to monitor any issues which might result from a company becoming involved in a potentially banned activity. The firm accesses ESG data from the research provider MSCI which allows us to build and manage specific negative screens requested by clients. Material changes to the ESG rating or a new and significant controversy relating to a company on our buy list can be tracked using data provided by MSCI.

COMMUNICATION AND OUTCOMES

We do not employ relationship managers, meaning our investment professionals have direct relationships with their clients. This allows us to tailor our service and portfolios to meet specific client needs as they evolve over time. Each client will be assigned two portfolio managers, a lead and a secondary manager, as well as a dedicated support team to ensure that there is continuity in the relationship and multiple points of contact. Given the consistency of our approach, all members of the Investment Team are willing and able to meet with any client to review their portfolio should it be required.

We aim to meet our clients at least annually, and often more regularly, to ensure the suitability of their investment approach and address any changing requirements or areas requiring improved communication. These meetings will also typically cover our stewardship activities and ESG-related factors relevant to specific investments, although we are developing improved ways to provide more structured information on responsible investing to clients on a regular basis.

We regularly update clients on our approach to responsible investing and stewardship. In early 2021, we wrote to all clients to update them on the growing importance and meaning of responsible investing and stewardship more widely at JH&P, setting out our commitment and approach in a dedicated brochure included with client quarterly valuations. This brochure can also be found on our website here.

Where clients have specific ESG requirements which go beyond business-as-usual activities, these are escalated to the Responsible Investment Committee (RIC). This group can provide specific guidance on ESG-related matters such as engagement priorities and ongoing active engagement activities, material changes to the ESG score or controversy alerts for a stock on the firm's buy list and any action that might be required.

As mentioned in **Principle 5,** we carried out a client survey in 2021 to gain a greater understanding of how clients view the service we are providing and to gauge any specific feedback.

A total of 285 clients completed the survey representing a 27% response rate from 1,059 links sent. Feedback suggested that while overall our communication with clients was transparent and informative, our digital reporting tools were seen as an area for improvement.

Partly in response to this feedback, we began the roll out of an improved digital portal in 2022 which offers increased functionality and greater ease of use.

We publish details of our voting annually via a report which is made available to clients and published on our website. Please see **Principle 12** for more information on our voting guidelines and activities.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

CONTEXT

A CLEAR SUSTAINABLE GROWTH INVESTMENT PHILOSOPHY CENTRED AROUND DIRECT OWNERSHIP IN INDIVIDUAL COMPANIES

All our multi-asset frameworks are built around a core of direct global equities which we believe offer compelling opportunities for wealth creation and income growth over the long term.

We invest in companies which have consistently delivered attractive and sustainable returns to shareholders and offer good opportunities for future growth. However, this growth cannot be at any cost and must be supportive of a move towards a more robust and sustainable economy.

It is our view that economic growth pursued without regard for environmental, social and governance risks will ultimately prove unsustainable.

There is a growing awareness and understanding of the impact that companies have on the planet and society at large, and the threat of global warming is driving calls for action.

This is creating opportunities for those businesses whose growth is aligned with sustainable goals, whilst changing attitudes and regulatory standards will raise costs and create additional challenges for firms which do not adapt.

Businesses have a role to play in creating a healthy and enriching environment for their employees and the wider societies in which they operate. We expect the leaders of the businesses in which we are stakeholders to recognise the value in striving for a purpose that goes beyond pure profit seeking. We encourage business leaders to promote the wellbeing of their employees and the communities in which they work alongside the creation of shareholder value.

ACTIVITY & OUTCOME

ESG consideration is a core part of our investment analysis across all asset classes and investment structures. We believe this helps us identify the long-term winners and avoid firms exposed to potential risks and vulnerabilities.

DIRECT EQUITIES

Our direct equity investment philosophy is uncomplicated and built on two simple ideas:

1 THE BEST BUSINESSES MAKE THE BEST INVESTMENTS

In the short term, share prices are predominantly driven by changes in sentiment and valuation. The longer the holding period, the more shareholder returns are driven by the underlying performance of the business.

2 THINKING LONG TERM IS A GROWING COMPETITIVE ADVANTAGE

Industry performance pressures and incentives increasingly encourage a short-term mindset. Being able to allocate capital for the long term is a rare advantage; we believe our business structure, culture and investment philosophy provides a perspective measured in years, not weeks and months.

Our analysis focuses on finding companies with:

- The opportunity for sustainable growth
- An economic advantage that strengthens as the company grows
- A culture that embraces change and aligns employees with the company's purpose and long-term strategy

Stewardship is integrated throughout our investment process. Our first area of focus when assessing a new idea, 'the opportunity for sustainable growth', provides a natural screening process to the kind of companies we are most likely to own and those that we are likely to avoid.

Our philosophy on sustainability is pragmatic, not rules-based or dependent on a third-party scoring system. We expect our approach to continue to evolve over time.

We apply the same standards to all companies across all geographies. Although the development of and focus on ESG issues varies around the world, most ESG risks are not localised to certain geographies so we believe all companies should have a strategy in place to manage the risks impacting their business. Having a consistent ESG approach is one reason why we have limited direct equity exposure to Chinese or emerging markets.

Except for tobacco and controversial weapons (see more detail on page 43), we do not take stringent ethical views on specific products or services. Instead, we look at every investment along the lines of what is mostly likely to provide the highest economic returns to our clients within the framework of a world that is moving to a more sustainable future.

EXCLUSIONS

We recognise that many businesses still have some way to go to mitigate the harm caused by their operations, and we seek to engage with them to encourage their transition to a more sustainable economic model.

There are however some sectors whose products, in our view, can never be part of a sustainable future and where engagement is unlikely to lead to a positive change. For this reason, we have taken the decision to exclude investment into certain sectors which we see as fundamentally at odds with our investment approach.

TOBACCO

The World Health Organization estimates that tobacco is responsible for the deaths of 10 million people worldwide each year and will become the biggest single cause of death by 2030. Furthermore, the cultivation of tobacco is linked to poor environmental standards and there are concerns about the exploitation of workers involved in its production.

Tobacco companies are likely to be subject to increased regulation and taxes and face an uncertain future, with long-term demand for their products also under pressure as their health implications become increasingly widely known.

We therefore exclude direct investment into the securities of businesses involved in the production of tobacco.

CONTROVERSIAL WEAPONS

Some categories of weapons are controversial because they can have an indiscriminate impact on civilians or breach the 1925 Geneva Protocol and are deemed particularly abhorrent.

We will not knowingly invest in companies involved in the manufacture and production of cluster munitions, anti-personnel landmines, and biological and chemical weapons.

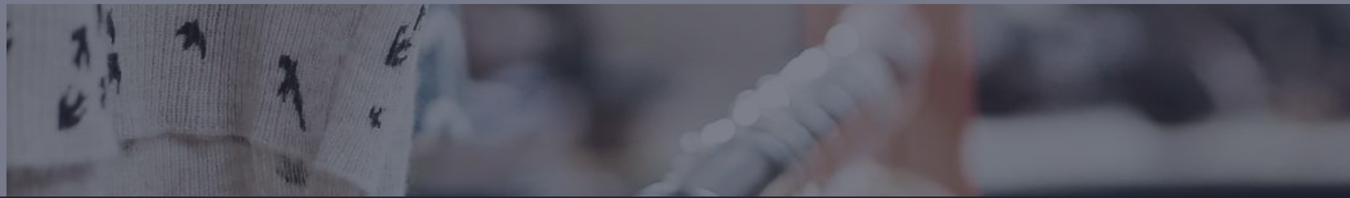
INTEGRATION OF SUSTAINABILITY

At the inception of an idea, we carry out a short introductory piece of work called a ‘smell test’ that is presented to the equity team for further consideration. The company is analysed under the following headings:

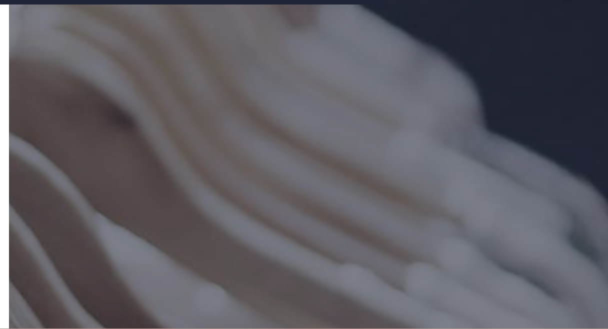
Our analysts consider these questions within the context of our sustainability framework. If the idea appears suitable for client portfolios, a full research note is completed following the same questions as the smell test and, alongside, the same analyst completes a full Sustainability Review.

An example of where our early screening caused us to abandon a potential new position is included on the following page.

1. Company description
2. Why does the customer buy the product or service?
3. Why is it difficult to compete?
4. Does the existing business earn high returns on investment?
5. What is the growth opportunity within the company’s core business, and can they continue to reinvest at high rates?
6. Are the management team aligned with long-term shareholders? Is the culture distinctive?
7. Why now?



CASE STUDY



FAST FASHION

In 2018, we carried out a review of the fast fashion industry, primarily focused on UK names Associated British Foods (Primark), ASOS and Boohoo.

At the initial smell test stage, we established two areas of concern that led us to abandon any further work. The first was a continued suggestion that labour conditions for apparel manufacturing in the fast fashion industry were sub-optimal.

The second was the carbon and water impact of making clothes that were increasingly bought to be worn only a few times.

We had clear ethical views on this, but our decision was driven from an economic standpoint that gradually the consumer was becoming more discerning about shopping sustainably, which had the potential to challenge the differentiating factors of these companies' business models.

We felt both areas were at risk of controversy and consumer backlash. We therefore felt these businesses had a fundamental flaw that could become exposed as the market matures.

Once an idea passes the initial 'smell test' stage, individual analysts within the Investment Team are tasked with performing a complete analysis of the company including JH&P's 5-point Sustainability Review. This is a materiality-based assessment of the risks and opportunities faced by a business (see below for more detail). The Sustainability Review is then presented within the overall presentation to the wider Investment Team when considering a new candidate company for investment. This helps promote the relevance and importance of ESG issues to the overall investment case, while increasing knowledge and understanding of sustainability issues across the Team.

The Responsible Investment Lead, who sits on both the equity team and the Responsible Investment Committee, oversees the completion of all Sustainability Reviews, ensuring best practice is maintained. This structure avoids creating a sustainability silo, ensuring knowledge and competence in this area is built across the team.

The Responsible Investment Lead also collates the output from the Sustainability Reviews and builds the priority of action points for engagement and voting presented to, and actioned by, the Responsible Investment Committee.

Once added to our recommended list of direct equities, the lead analyst is expected to monitor the performance of the companies they cover. ESG considerations are an integrated part of this ongoing review, including a full update of the Sustainability Review every 18 months. Once the review is finalised, it is circulated to the RIC group who assess and sign-off in their next monthly RIC meeting. Any other action points are highlighted in the minutes of the RIC for follow up and these become important documents for ongoing monitoring.

Regular monitoring of any ESG-related controversies is also carried out by the Responsible Investment Lead who ensures that any significant ratings changes are identified for further investigation. These are then discussed at the weekly equity meeting.

JH&P SUSTAINABILITY REVIEW

The purpose of the review is:

1. To establish conviction around the idea both from a business model proposition but also from the perspective of the company's culture, purpose, and longer-term attitude to sustainability. The framework gives us deep insight ultimately making us better owners should we invest.

2. To provide a roadmap for our future engagement and voting. Some of our companies will have a higher level of risk than others. Through our sustainability reviews, we can build a list of priorities as well as identify common issues across companies where we can take a more activist approach.

Our reviews are first and foremost looking for transparency and acknowledgment. We then assess the strategy of the company to mitigate the risks they face. We also want to see an executive level of engagement and oversight with the requisite governance to ensure compliance.

Our sustainability analysis is nuanced and pragmatic to the challenges we face. Although a company may face material risk in relation to our five pillars of focus, they may also be well equipped to address these risks. For example, while a large food manufacturer may have many risks relating to sourcing raw materials, labour conditions and packaging complexity, they are equally best placed given their capital and market position to facilitate change for good.

We therefore look at materiality in the context of company action to judge the investment proposition. By working with companies in a collaborative fashion we believe we can be stewards for positive change.

A truly sustainable business will be one that has recognised the major long-term threats to its continued success and developed a credible plan to address them.

OUR 5-POINT SUSTAINABILITY FRAMEWORK

Each sustainability review is structured as a 5-Point Sustainability Framework. The five pillars that underpin the analysis draw upon the UN Sustainable Development Goals and capture the major themes that we believe are most important to identify companies placed to benefit from the transition towards a cleaner and more resilient path of economic growth.

For each of the five areas shown opposite, the analyst assesses the materiality of the risks to the investment case (high, medium, low) as well as an assessment of how well the company is addressing the risks and opportunities against several underlying questions (+, -, =). The full list of questions underlying the 5-point framework are included on page 57 & 58.

1

DECARBONISATION

Climate change is the most pressing threat facing the world today. We expect companies to understand and quantify their carbon (and greenhouse gas) emissions in all parts of the value chain and have credible plans to reduce this over time.

2

TRANSITION TO A CIRCULAR ECONOMY

To reduce the impact of society on the planet, companies must begin to transition to a more sustainable use of the world's resources and take ownership of the impact of their products from creation to consumption.

3

PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS

Companies must act to mitigate their impact on the wider environment. This includes how they consume raw materials, their use and treatment of water and their impact on local ecosystems, including air quality.

4

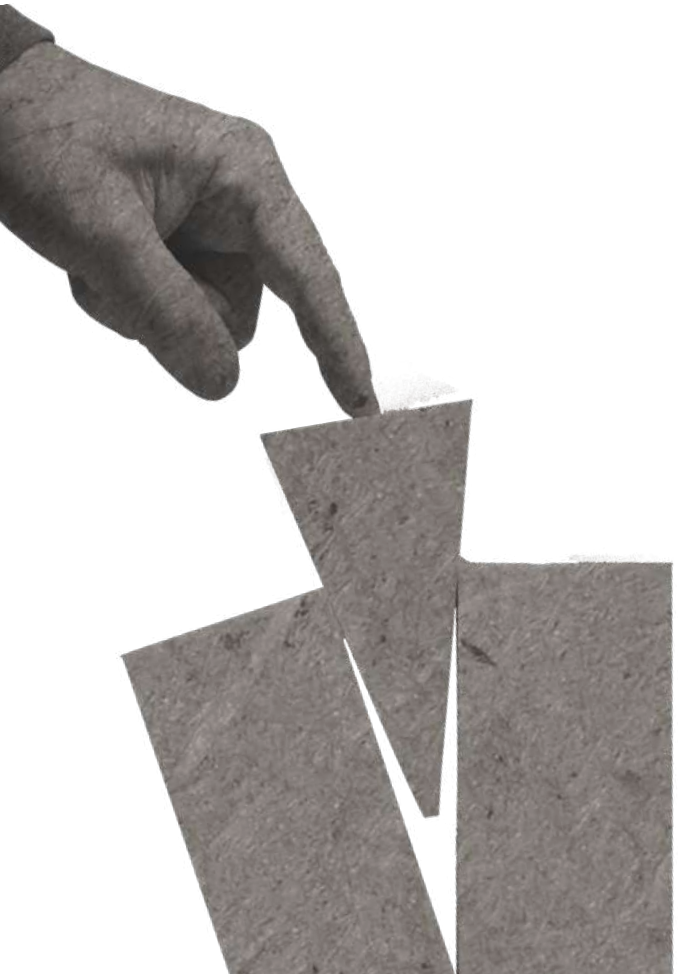
EQUITABLE, HEALTHY AND SAFE SOCIETY

Businesses can play a part in creating a fairer society and recognising a purpose beyond pure profit maximisation. We look at sustainability in the context of all stakeholders including any person who is impacted by the activities of the enterprise. A truly sustainable firm is one that enriches its shareholders without exploiting its direct and indirect labour force.

5

STRONG GOVERNANCE AND ACCOUNTABILITY

Strong corporate governance is an essential quality for corporate success. Without corporate controls and accountability, we cannot be sure a business is acting in the best interests of its shareholders.



CATEGORISING COMPANIES TO PROVIDE A RISK-BASED APPROACH TO ENGAGEMENT

Based on what the company does and how they do it, we then categorise each company under three headings: Mitigating, Transitioning, Enabling.

This simple risk-based framework has a key influence on the conviction we build on the long-term success of the company and therefore the price we are willing to pay. It also helps inform our overall portfolio construction and drives our engagement priorities and areas of focus; we expect to dedicate more of our engagement activities to companies we classify as Mitigating and Transitioning.

CASE STUDY

MITIGATING

Companies that offer products and services which are essential to continued societal progression but fall foul in some way to the sustainability goals are classified as Mitigating. To be mitigating they must have a credible plan for incremental improvement. Mitigating companies carry the highest level of risk and are typically the focus of more of our engagement activity.

THE COCA COLA COMPANY

Coca Cola is one of the world's largest beverage companies and therefore faces a wide range of risks relating to sustainability. These include a high absolute carbon footprint and water usage due to its size and manufacturing footprint, a complex and diverse supply chain, the use of packaging and increased regulatory pressures on the industry to safely reduce sugar content within their products. Shifting consumer preferences towards healthier food and drink choices adds another potential long-term headwind.

While the company's risks are clearly high, they also continue to provide affordable products that customers over the world value and enjoy. It is therefore vital that in the first instance Coca Cola recognises the risks they face and their responsibility to progress to a more sustainable future. With sustainability factors more a risk than an opportunity we classify Coca-Cola as a Mitigating business within our framework.

We met with the company in December 2022 for a wide-ranging discussion on how the business has evolved both operationally and culturally under CEO James Quincey. The company's approach to sustainability was a key topic throughout the meeting.

Under the current CEO the company has refranchised a large percentage of its bottling operations, changed contract terms to increase alignment across the bottling system to drive value ahead of volume growth, and instilled a culture of innovation and experimentation with core brands. A commitment to reducing sugar content across their portfolio and expansion into new areas, including coffee and alcohol, should also help the business become more resilient to changing consumer tastes in the longer term.

Sustainability issues are now central to the company's strategy and culture – evidenced by ESG measures are now being included in long-term management incentive plans. Under their 'World Without Waste' strategy, 100% of the company's packaging globally is aimed to be recyclable by 2025 and all Coke's packaging will contain at least 50% recycled material by 2030. Collection for recycling remains a huge challenge in many regions – we heard how Coca Cola have been supporting governments to put in place the necessary regulatory structures and physical infrastructure. There

are countries with over 90% collection rates, highlighting what can be achieved, albeit there is a long way to go in most of the company's markets.

Frustratingly, Coca Cola's global net zero targets remain an ambition rather than a firm goal. When asked, the company explained that most of their carbon emissions are Scope 3 in nature and stem from their outsourced bottling operations. While they own stakes in the bottling franchises, these are ultimately independent companies operating in different parts of the world and some are behind in their approach to climate strategy. Coca-Cola continues to push for change but given there are multiple stakeholders and a lack of recycling infrastructure this will take time. Given these challenges the company does not want to set out a hard target until they are confident this can be accurately measured and achieved and are careful to avoid being seen to 'greenwash' to appease investors.

However, within Europe the company has announced a firm target to reach net zero by 2040. This will cover the entire European value chain, building on net zero and science-based targets set by Coke's two leading bottling partners in Europe, Coca-Cola Europacific Partners and Coca-Cola HBC. This effort seeks a reduction of 2.5 million tons of CO2 equivalent annually in Europe by 2030 compared to 2015—a reduction of 30%. Complementing these net zero commitments, several bottling partners have also announced their own science-based targets, including Swire Coca-Cola Limited (Asia) and Coca-Cola FEMSA (Mexico).

We look forward to continuing our engagement with the company on this issue in the years ahead and will be pushing for lessons from Coca Cola's European business to be applied across the Company's wider bottling ecosystem.

CASE STUDY

TRANSITIONING

Companies that provide products and platforms on which sustainable development can be advanced are classified as Transitioning. Many companies in this definition are largely neutral to the sustainability debate but they should not materially detract from the 5 points. These companies might have a negative environmental impact but the products they produce provide an overwhelmingly positive end market outcome. In these cases, such companies must have credible plans to reduce their own impact.

SIKA

Sika offers sustainable solutions for energy-efficient construction and environmentally friendly vehicles. They are an innovation first business that naturally looks to introduce products that reduce environmental footprint, to increase efficiency of products and solutions and therefore responds to market demand for more sustainable solutions. We classify Sika as a Transitioning business as while their products are largely enabling a more sustainable future, the company has a significant carbon footprint and high scope 3 emissions given the industries in which they operate.

We met with the company in September 2022 for an update on their climate strategy and to learn more about how the culture of the business provides a long-term advantage. Sika has cultivated an entrepreneurial spirit across the organisation with individuals to a low level making commercial decisions. General managers in each region have full responsibility for their own profit & loss and have authority to make fast decisions on how to allocate capital.

We learned that 50% of employees are engineers. This helps build strong relationships with end customers as well as a culture of innovation across the business, meaning Sika has long been well placed to take advantage of the increasing focus on sustainability practices across their industry.

Sika is a growth company but is clear that it needs to de-couple its emissions impact from its growth.

The company has initiated a net zero project to develop a roadmap with GHG emissions abatement targets. Since our meeting Sika has communicated a high-level roadmap identifying main targets and key levers to achieve net zero, for example: accelerating their use of low carbon supplies; developing new, more environmentally-friendly solutions for construction and industry; partnering with key supplies to support their path to net-zero; improved focus on material efficiency and circularity. The detailed findings of the net zero project will flow into their upcoming 'Strategy 2028' plan, to be rolled out in 2023 and submitted for SBTi validation. Sika's commitment will focus on two time horizons for both scope 1&2 and scope 3 with a near-term interim target in 10 years (2032), and a net zero target by 2050.

For a high-growth company like Sika, this is an ambitious goal that will require active collaboration with all stakeholders. We were particularly encouraged to hear that Sika is committed to measuring and reducing their Scope 3 emissions as part of their net zero strategy. Calculation of Scope 3 is an evolving topic but one of great importance given it is often the largest source of emissions for companies in which we invest. Sika's comprehensive approach will help us build our own knowledge in this complex area and apply it to other companies across the portfolio over time.

We look forward to tracking Sika's progress over the years ahead.

CASE STUDY

ENABLING

Companies enabling positive change directly through the sale of their products of services are classified as Enabling. These companies are attractive given regulatory and capital allocation trends.

TEXAS INSTRUMENTS

Texas Instruments (TI) is the world's leading analog semiconductor company. Analog semiconductors are an essential component of any electronic device. TI's broad portfolio helps customers efficiently manage power, accurately sense and transmit data, and provide the core control or processing in their electronic systems – combining to increase productivity, safety, connectivity of equipment and processes.

We categorise Texas Instruments as an Enabling company, given its key role in helping customers develop the technology that makes electrification, renewable energy and storage solutions possible. The company also has an outstanding record of long-term stewardship.

Beginning with its clear purpose, 'To create a better world by making electronics more affordable through semiconductors', in our view TI has one of the strongest corporate cultures that aligns the business's success with all stakeholders.

We met with the company's CFO and IR team in September 2022 for a broad-ranging discussion on end market trends, capital allocation and the increasingly complex geopolitical environment for the semiconductor industry. The meeting also provided an update to the Company's sustainability goals.

As is typical of the company, TI's sustainability reporting is clear and comprehensive, with total GHG emissions, emissions per chip and scope 1 & 2 emissions broken down by type over the last 5 calendar years.

TI's medium-term goal is to reduce scope 1 & 2 emissions by 25% 2025 (vs. 2015 base), despite a significant increase in manufacturing capacity, driven by a 50% reduction in energy intensity per chip. Actions to reduce emissions include use of alternative gases and chemicals, switching to renewable energy sources for electricity needs and optimising product manufacturing and distribution. By YE 2021 TI had achieved a reduction of 19%, and a reduction in energy intensity per chip of 33%.

Water-intensity is another significant issue across the semiconductor manufacturing industry, particularly given much manufacturing capacity is in areas already suffering from water stress. It was pleasing to hear more about the Company's range of initiatives in this space, with TI maintaining industry-leading conservation efforts through investment in water purification, recycling and reuse projects. Since 2010, TI has reduced water intensity per chip by almost 40%. This is not only good for the local environment but also for shareholders via the reduced costs incurred by TI in their manufacturing process.
We think TI's impact on society is overwhelmingly positive and sustainability factors and trends provide clear tailwinds. Major risks are centred around rising geopolitical tensions – the company's long-term approach to investing behind its manufacturing capacity is increasingly valuable given this backdrop in our view.

We look forward to continuing our engagement with TI and will encourage them to broaden their GHG emissions commitment to include firm Scope 3 targets in the post-2025 plan.

BEGINNING ENGAGEMENT PRIOR TO INVESTMENT

Prior to investing we aim to engage with companies to address any concern we have from a stewardship perspective. For example, in 2021 ahead of our initial investment in Pool Corp, a US-based distributor of pool supplies and equipment, we met with the company to assess how they were addressing issues including energy and water usage, as well as their plans for improved company disclosure on sustainability metrics. While swimming pools increase the resource intensity of society and have a negative impact upon the planet, we came away from the meeting with greater confidence that Pool Corp's growing range of products can help customers save energy, water and money which should benefit the environment, customer and Pool Corp over the longer-term.

Once we have invested, we use our sustainability review and risk-based framework to drive a focus for engagement going forward. This is carried out through collaboration between the Responsible Investing Committee and the analyst. We will meet with the company – where possible in a one-to-one setting – to explain any concerns we have and where we would like to see action.

For more information on how we engage, including our approach to voting, please see **Principles 9 and 12.**

RESOURCES

As outlined in **Principle 2,** we have several resources to aid us in our research.

- Primary sources provided by the companies themselves. Annual reports, proxy statements, presentations and their CSR reports all provide a window into how management think about sustainability, how they measure risk and their strategy to mitigate.

- Sell-side research to complement our understanding. Increasingly this research is adopting a more holistic view to company analysis, incorporating their own ESG frameworks. Each calendar year we conduct a full review of our research providers to assess their relevance and ongoing value to our process across multiple areas, of which their work on sustainability is one.

- MSCI and ISS provide us with more focused sustainability and governance reviews as well as data for comparing companies and tracking change over time. These aid us in our decision making but we are not bound by their viewpoint or scoring mechanisms. For an example of where we disagreed with a recommendation from ISS please see **Principle 12.**

FULL 18 QUESTIONS UNDERLYING THE 5-POINT FRAMEWORK

DECARBONISATION

1
Assess the company's carbon intensity in absolute terms and relative to peers?

2
Is the company measuring and reporting their emissions and climate-related risks utilising a widely accepted framework such as the Task Force on Climate-related Financial Disclosures (TCFD)?

3
Do they report on GHGs and have a clear strategy to limit global temperature rise to 1.5°C by 2050 or before for corporate scope 1 and 2 emissions?

TRANSITION TO A CIRCULAR ECONOMY

4
From design to end of life, is the company incorporating a fully circular process for their products and raw material inputs?

PROTECTION & RESTORATION OF BIODIVERSITY & ECOSYSTEMS

5
Is the company dependent upon certain natural assets and ecosystem services? If so, what are they doing to disclose and mitigate this?

6
What is the company's potential impact upon natural assets and ecosystems? If impact is material, what is the company doing to disclose and mitigate this?

7
Does the company consume significant volumes of water? Are they monitoring and reporting their water use/re-use and the steps they are taking to mitigate this?

8
Is animal welfare an issue in their supply chain? What steps are they taking to mitigate this?

EQUITABLE, HEALTHY & SAFE SOCIETY

9
Outline the ways the company seeks to improve and develop its human capital.

10
What labour policies does the company employ? And is it a high-risk firm in terms of health and safety?

11
Does the company have a significant impact on their local community or their customers? What steps are they taking to address this?

12
Assess the company's risks and performance with regards to corruption, lobbying and tax contribution.

13
Does the company openly address diversity issues and what policies do they have to improve diversity?

STRONG GOVERNANCE & ACCOUNTABILITY

14
Is there strong governance control over the sustainability goals? Are senior management aligned and incentivised on these sustainability goals?

15
Is the role of chairman and CEO split?

16
Is the majority of the board classed as independent?

17
Are any of the board of directors over boarded?

18
Is there sufficient diversity at board and management level?

FUND INVESTMENT

We expect managers of third-party funds to share our commitment to investing responsibly. This includes equity and fixed interest funds, as well as our investments in diversifying strategies such as absolute return funds and infrastructure, albeit the nature of the fund and strategy will impact the relative importance of responsible investment factors during our due diligence and ownership.

We expect all the fund managers with whom we invest to be signatories to the Principles for Responsible Investment (PRI), in line with our own commitment. In exceptional circumstances we will consider funds where the manager is not a signatory to the PRI but require a clear understanding as to why this is the case; we would expect funds in these circumstances to have an intention and clear plan to become signatories.

INTEGRATION INTO THE PROCESS

ESG is an important consideration when assessing the attractiveness of an investment into third-party funds.

A qualitative approach is undertaken to assess the relevance of an ESG approach to a fund's investment strategy. We recognise that different asset classes require a different approach. Within our equity and bond fund universe this is more easily applicable than for some of our Diversifying Strategies funds, where the ESG factors may be less relevant to the trading of currencies and interest rate futures. A flexible qualitative assessment is necessary to reflect the range of fund strategies and asset classes covered by third-party funds.

We use a mix of internal and external ESG research to inform our investment decisions. For external research we use a range of service providers such as MSCI ESG Ratings and StyleAnalytics. The data providers give us the ability to gather detailed insights into trends and controversies, as well as fund exposures, values, impacts and risks.

We meet the managers of all funds we invest in as part of our initial due diligence and post investment on a regular basis. Discussion on material changes to the fund's ESG approach forms a core part of this ongoing engagement, along with other key issues such as ensuring our clients benefit from fair and transparent charging structures. Where possible, we strive to leverage the benefits of our scale for our clients through negotiation of lower fees.

An important stage of our initial assessment process of a third-party fund involves a qualitative and quantitative scoresheet completed by the investment team as part of initial due diligence following a meeting with the manager. The post-meeting scoresheet includes the following question specifically addressing the fund manager's approach to ESG, which every attendee is required to answer:

- How credible is the approach and commitment to ESG in the context of the strategy?

The answer and rating of this contributes to whether a fund reaches a threshold score for the team to take forward a fund for further analysis.

MONITORING

Prior to progressing to the investment stage, we require each fund to complete a Due Diligence Questionnaire (DDQ) which is reviewed by the funds team. Our formal due diligence process includes a specific analysis of each fund's approach to ESG. The DDQ requires questions to be answered at a firm or institution level as well as at the individual fund level. The DDQ allows the funds team to assess the importance of integrating ESG into the fund process, the level of engagement from a fund manager, whether positive or negative screens are implemented, and the measurement of emissions and certain risks posed by portfolio holdings. It also allows us to judge the commitment of an institution to responsible investment.

The DDQ document for each fund on the approved list is sent to the relevant fund house for completion on an annual basis. Where an initial DDQ document has been completed by the fund house, an updated document is required annually which provides the most current information on the fund and highlights material changes to the fund since the document was last completed.

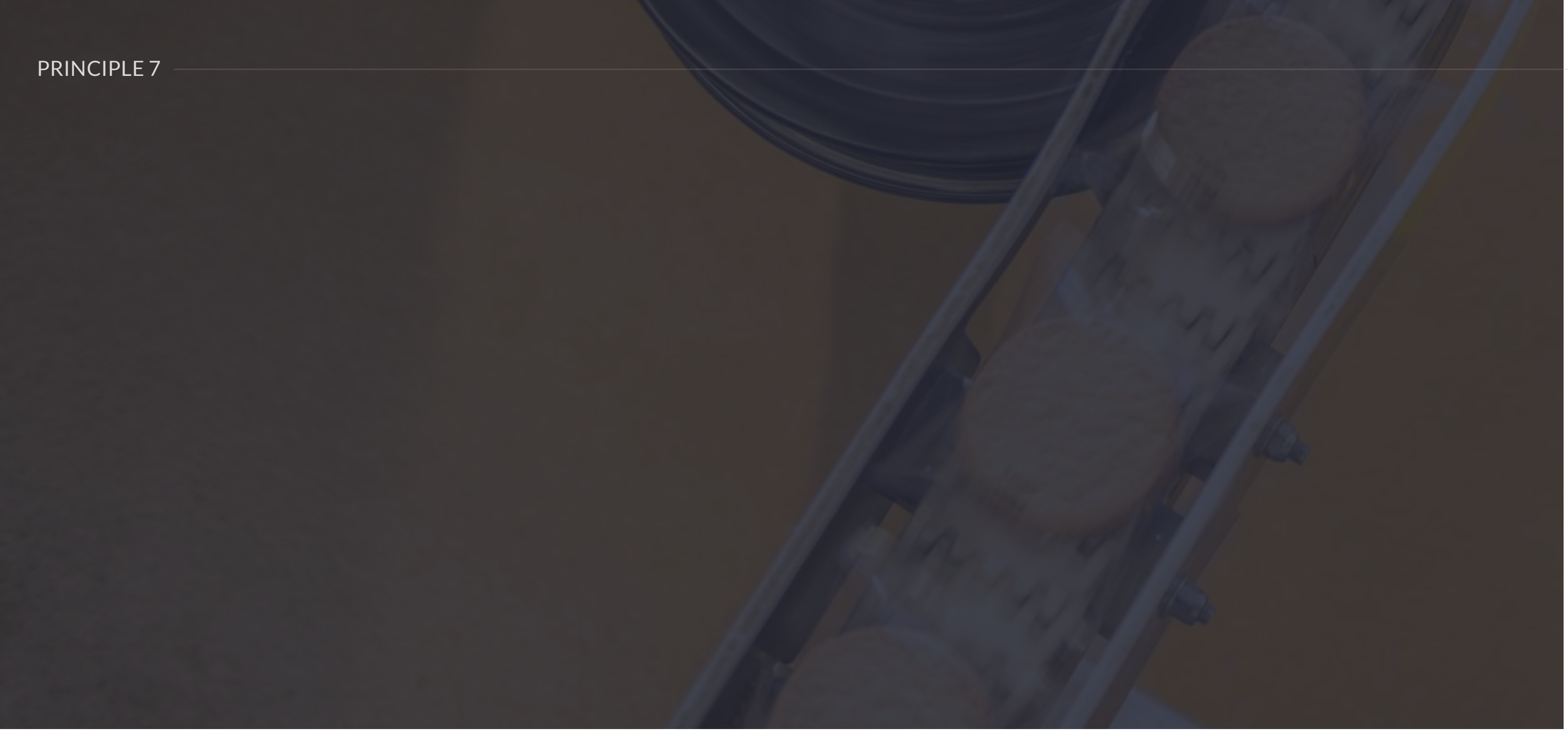
A DDQ log is administered and provides information on each approved fund DDQ, such as the date it was last completed, which individual is responsible for reviewing the DDQ, details of concerns or issues queried with the fund house and the action taken to address raised concerns. The funds team discuss and address any concerns that have been raised in the bi-weekly funds team meeting.

ENGAGEMENT

Separately to the DDQ, we monitor and engage with funds annually, focussing on select areas to address each fund's approach. An example of the questions can be seen opposite.

Fund engagement responses are reviewed by the RIC at the monthly meetings and included in the minutes. Where there is a concern, most importantly where there has been a breach, the lead analyst on the fund engage with the fund house to understand the process followed post the breach. The fund analyst reports back to the RIC following the engagement.

FUND HOUSE:	FUND:
QUESTIONS:	
Have there been any breaches relating to the fund's responsible investment process or Stewardship policy in the last twelve months? Please provide details on any breaches.	
Please provide a list of the funds' corporate engagements over the last twelve months, (specifically the portfolio managers of the fund).	
Please provide an example of a corporate engagement and the resulting action taken.	
Provide details on the fund's voting approach and how it voted over the last twelve months. Provide examples of contentious votes.	



DIRECT FIXED INCOME

Just as we recognise the importance of ESG factors as a driver of the long-term share price performance of companies, they also have the potential to influence the performance of fixed interest assets. Given the limited capacity for capital growth, the security of capital and income are paramount and so our emphasis is on understanding risks rather than opportunities. An understanding of ESG risks forms part of our fundamental analysis when considering fixed interest at an asset class, issuer, and security level.

SOVEREIGN DEBT

We draw on a wide range of official economic data and analysis including specialist data providers, investment banks and independent economic and political strategists to provide insight into how a country is addressing ESG factors, how these may affect the credit worthiness and economic stability on an absolute basis as well as providing insight as to how the country can be ranked against other global peers. An understanding of a sovereign issuer's geopolitical ambitions, attitude towards national sovereignty, human rights record and standing within the international community are of increasing importance.

Further specialist analysis tools are provided by MSCI and The World Bank which inform our assessment of the ESG ranking of each country.

These resources help us identify key categories of risk and areas of focus regarding our sovereign areas of investment. We typically allocate to investment grade issues in politically stable developed economies including the UK, US and EU. We have considered investment sovereign bonds of less developed economies, but to date have not deemed the excess return available to be commensurate with the additional risk. We have included a case study on Chinese government bonds from our last Stewardship report as we believe it remains a relevant illustration of our approach.

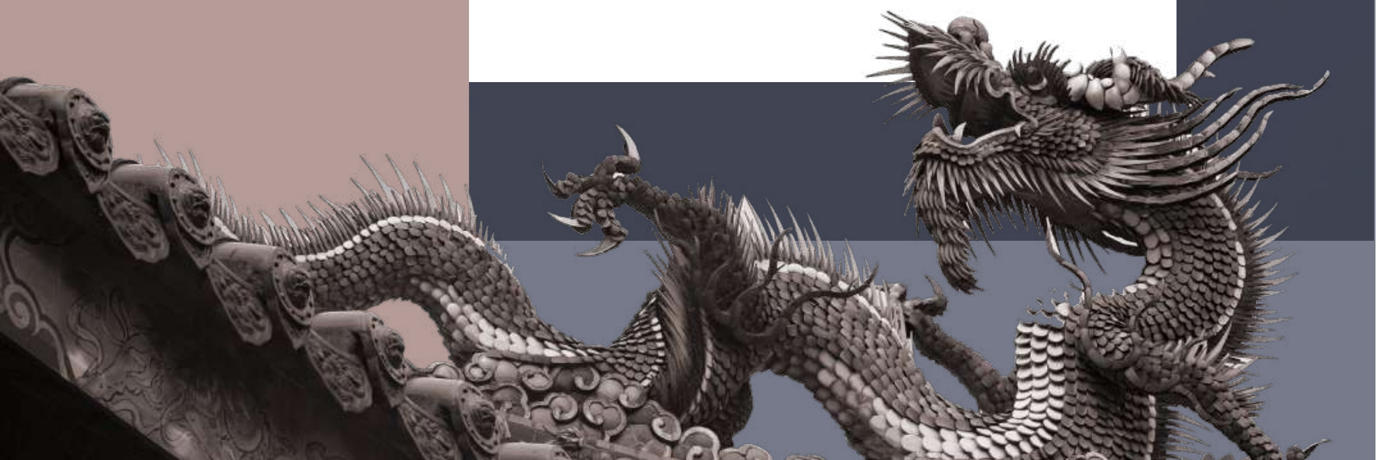
At each fixed interest team meeting there is a standing agenda point to review the MSCI output for any sovereign debt exposure we hold within client portfolios. The fixed interest team will then refer any concerns to the Responsible Investment Committee before a decision is taken and communicated to the wider investment team.

CASE STUDY

CHINESE GOVERNMENT BONDS

In early 2021 we initiated a review of Chinese sovereign bonds with a view to their potential inclusion within the fixed interest allocation of client portfolios. This was a result of the low levels of yield on offer from developed market sovereigns, historic diversification benefits and a desire to improve the potential for return without a marked increase in the risk being taken.

Financial analysis of Chinese sovereign bonds confirmed their ability to offer an improved return profile in the form of a better running yield as well as yield to maturity across most of the maturity curve. The yield spread on the Chinese 10-year bond versus the 10-year US treasury was close to a decade higher and Chinese interest rates were at a much higher level than in all developed markets. In addition, analysis of historic data showed that Chinese government bonds had provided greater protection at times of market stress over recent years than UK gilts and had behaved more akin to the US treasuries.



Based purely upon financial metrics, the Fixed Interest committee was supportive of the inclusion of Chinese government bonds within portfolios.

The subsequent broader discussion with the Responsible Investment Committee, the Investment Committee as well as the Investment Oversight Committee, looked at Chinese bonds from the perspective of ESG and the government's historic track record in these areas, as well as its stated future commitments (or lack thereof). Given the continued concerns held by the team over several high-profile issues such as pollution and persecution of minorities, and an apparent lack of change in approach to these areas of risk, it was decided that Chinese bonds should not form part of our investable universe at that time.

CORPORATE CREDIT

We take the same approach to directly investing in corporate credit as we do to investing in equities. When investing directly into corporate credit, we will apply the same five-point sustainability framework in both corporate credit and equities to understand the risks to a business model, the opportunities for future growth and the sustainability of that growth.

Given the complexity of the credit market and the idiosyncratic nature of trading and liquidity, our preference is to utilise specialist fund managers to gain access to global corporate credit on behalf of our clients. As part of our core fund research, the integration of broader ESG factors within their respective research processes is a key point of focus. We follow the same process for fixed interest as we do for all third-party managed collective investment schemes as detailed in the prior section.

We have not allocated directly to corporate credit for several years given, in our view, the relatively low additional yield pick-up compared to sovereign bonds. This asset allocation decision has reduced the time we have spent on stewardship across this part of client portfolios given our limited ability to engage effectively with the developed market at government level.

MONITORING

The Fixed Interest team meet monthly to discuss the fixed interest investment strategy being adopted within client portfolios.

The meeting papers include:

- Macro analysis of developed economies (UK, US and EU) and the resulting implications for their respective sovereign bond markets.
- MSCI ESG Government reports on the UK, US and EU governments. These reports provide ratings and oversight of aspects such as each country's use of natural resources, human capital, their political & financial governance, the economic environment and a country's environmental externalities & vulnerabilities.

The discussion and conclusions reached by the team are recorded and distributed across the wider JH&P investment team including the members of the Responsible Investment Committee.

The Responsible Investment Committee review the Fixed Interest minutes to identify if there are any issues which need to be escalated and referred back to the team. There are currently three standing members of the Responsible Investment Committee who are also standing members of the Fixed Interest team which ensures an appropriate level of oversight of the Fixed Interest research process in the context of ESG.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

ACTIVITY AND OUTCOME MONITORING DATA PROVIDERS

Our data and research providers have been chosen to be additive to our investment process. In recent years this has included an increased focus and spend on data providers to support the integration of explicit analysis of ESG risks and opportunities into our primary research process.

These data providers have also been used to enhance our stewardship processes, particularly helping to monitor and quantify ESG-related policies and progress at our underlying investment companies and funds.

The data provided in relation to ESG research and stewardship is continuously reviewed by the RIC with a focus on assessing the quality, accuracy and relevance of the data provided. Ease of interaction with the data provider platform as well as ease of integration with JH&P systems is also assessed.

All our data and research providers are included in our annual Research Provider Review in December each year. This involves canvassing the full investment team for their view on the quality and relevance of all external research providers that we have partnered with over the prior 12-month period. Each investment team member provides a quantitative ranking of providers against similar peers and qualitative discussion on their strengths, weaknesses and overall importance to our investment process.

MONITORING VOTING ACTIVITY

Voting choices are submitted via ISS. We carry out monthly compliance monitoring on proxy voting, ensuring that all votes have been submitted and that they have been voted in accordance with our recommendation. We also receive a quarterly voting report confirming that our votes have been processed correctly.

If any issues are identified, we will work with ISS to understand the reason and to ensure that a solution is found for future votes, escalating the issue to senior staff at ISS if necessary. For example, early in our relationship with ISS, we had several issues related to our sub-custodians, whereby different nominees had different voting cut-off dates for the same AGM. In these instances, ISS enacted our aggregated votes at the earliest cut-off date among our sub-custodians, meaning that we did not always receive ISS's research early enough to help inform our vote (and potentially over-ride ISS's recommendations) before the voting cut-off had passed. This issue was raised with our Relationship Manager at ISS by our Responsible Investment Lead with the support of our Compliance and Operations teams. This was in turn escalated with our primary custodian RBC and Broadridge (the latter handles RBC's outsourced proxy voting and custodian activities).

A solution was found whereby our Operations team can now manually instruct our votes on shares held in Crest to ensure we are able to vote on all of our shares. For other votes where we have sub-custodian issues, ISS have confirmed that we can now vote on each sub-custodian independently.

MONITORING EXTERNAL MANAGERS

We expect managers of third-party funds that we use share our commitment to investing responsibly. Please see **Principle 7** for further information on how we monitor and assess third-party fund managers on this basis.

RECENT ACTIVITY

We carried out a formal review of our ESG data providers in 2021 that resulted in us changing providers from Vigeo Eiris to MSCI (please see last year's report for further information). As such, we did not carry out a formal review of our ESG data providers in 2022 but worked closed with MSCI given the early stage of this relationship.

MSCI provides a key resource when completing JH&P's Sustainability Reviews for investee companies - during the year we organised multiple sessions with MSCI to ensure the team had a full understanding of the platform's functionality. We also engaged with MSCI to trial additional products including their Climate Value at Risk and EU Sustainable Finance modules.

MSCI was also subject to our ongoing review process by the RIC and wider investment team as highlighted above.

We also continued our engagement with ISS. Following the publication of ISS's Proposed Benchmark Policy Changes for 2023, we contacted the company to comment on their proposed changes to climate board accountability (shown below).

RESOLUTION | DIRECTOR RE-ELECTION

SCOPE

Climate Action 100+ Focus Group retained and extended globally (previously applied only in selected markets).

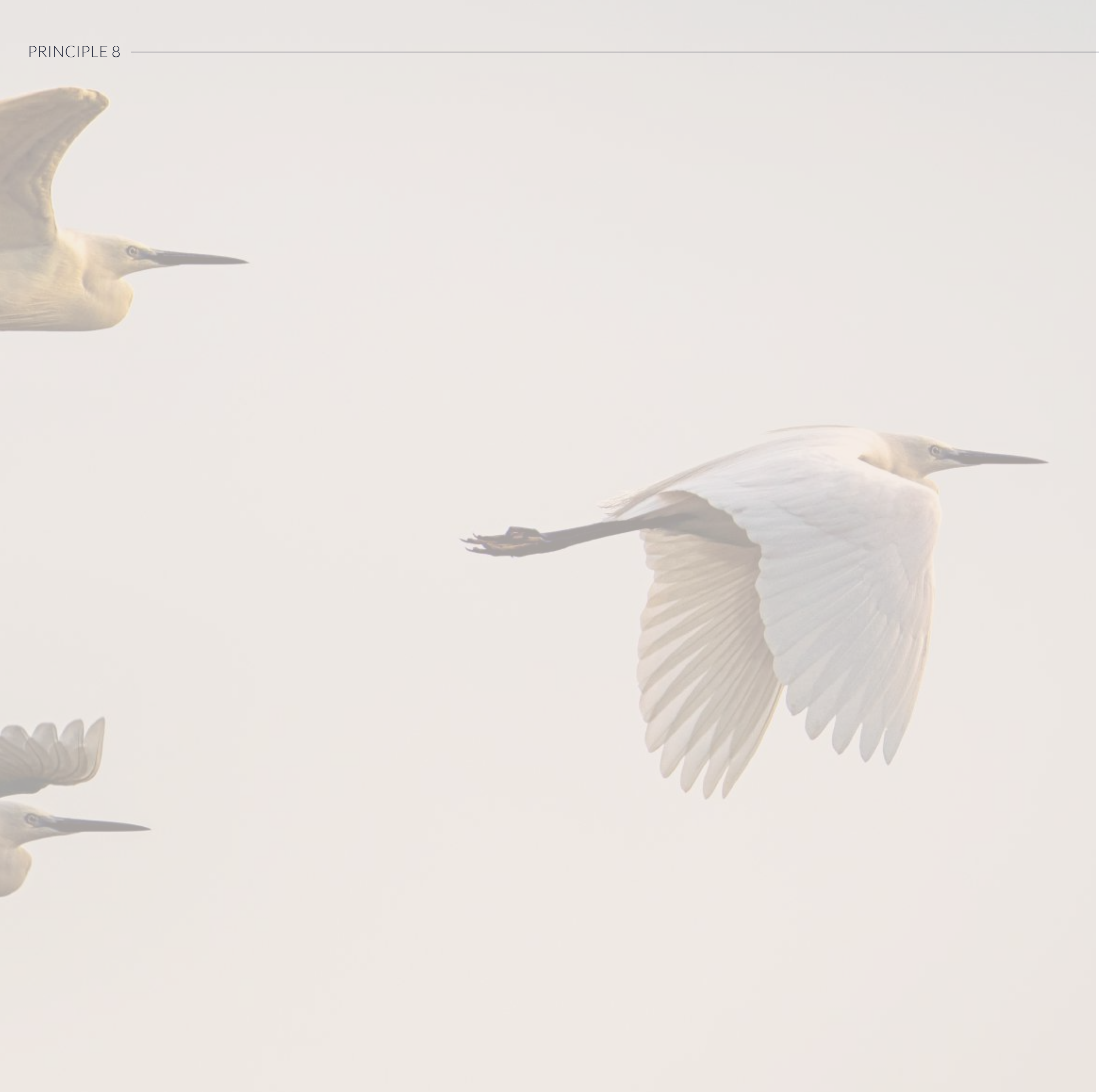
CRITERIA

ISS will generally vote against the appropriate director and/or other voting items where there is:

- A lack of adequate disclosure (e.g., TCFD or other recognised reporting structure)
- No medium term GHG emission reduction targets (Scope 1 & 2)
- No Net Zero by 2050 targets (Scope 1 & 2)

KEY CHANGES

- Extension from selected markets to global application.
- Focus on Scope 1 and 2 medium term and NZ by 2050 targets (previously focused on "any well-defined GHG reduction targets").



While we agreed with the direction of change proposed, we still felt that the proposed changes did not go far enough in terms either of the universe or the policy expectations. We believe that limiting the scope to just using CA100+ companies is too narrow and emphasised the need for company targets to be aligned with a trajectory of warming no higher than 1.5 degrees Celsius.

Our baseline at JH&P is to consider climate disclosures and targets across all markets and companies, and we believe that ISS should be aiming to move to similar approach as soon as practical.

Following the publication of the Benchmark Policy Updates in December 2022 we were disappointed to see that ISS had not extended their Climate Board Accountability policies in response to our and wider industry feedback. We again voiced our support for a broadening of scope as part of our collaboration with IIGCC's Proxy Advisor Working Group – see **Principle 10** for further information.

PRINCIPLE 9

ENGAGEMENT

CONTEXT

WE BEGIN ALL ENGAGEMENT FROM A POSITIVE PERSPECTIVE. WE ADOPT A COLLABORATIVE APPROACH TO ENHANCE OUR UNDERSTANDING AND TO IMPROVE THE LONG-TERM OUTCOMES FOR OUR CLIENTS AND OTHER STAKEHOLDERS.

Engagement with the companies and the independent fund providers with whom we invest forms an essential part of maximising client returns with an acceptable level of risk over the longer term.

Monitoring, interacting with and challenging the management of company and fund investments helps us to build a more complete understanding of the risks and opportunities associated. This enables us to make better decisions on behalf of our clients and to use our ownership to encourage positive long-term change.

Our ability to influence change will be impacted by several factors, including security type, the size of our investment within a company or fund and our access to key decision-makers.

The resource-intensive nature of engagement means we must prioritise those instances where we believe change will be most impactful or where we deem the risks to be greatest. The importance of an issue to our investment thesis, the extent of our investment across JH&P and the likelihood of effecting change are key aspects we consider when committing to engage. In practice, this means most of our engagement is focused on our direct equity investments, and within that, those mitigating and transitioning companies where we deem ESG risks most material to our investment case.

Notwithstanding these limitations, we believe that targeted engagement combined with proxy voting plays a vital role in positively influencing a company or fund's behaviour and ultimately helping them to build long-term sustainable value for all their stakeholders.

OUR APPROACH

Engagement is an essential part of our investment strategy across both direct and third-party investments.

DIRECT INVESTMENT

Our sustainability framework classifies companies we consider investing in across three categories: Mitigating, Transitioning and Enabling. **(See Principle 7 for more information.)**

This informs the balance of our portfolio construction and drives the level of early engagement with companies in our portfolios. While we have no explicit target allocation across the three categories, we would typically expect to focus most of our ESG-led engagement on companies that we classify as Mitigating or Transitioning.

As active investors, our engagement focuses on areas where we see scope for improvement that can deliver long-term value. This can include topics such as corporate strategy and capital allocation within the companies we own, or investor alignment and charges at the third-party fund providers with whom we partner.

Furthermore, the challenges of climate change and rising social and economic inequality impact every investment, irrespective of business model, industry, or asset class. Ongoing monitoring and considered engagement are crucial to ensure steps are being taken both to address risks these issues pose and to capitalise on the significant opportunities these trends are creating.

In addition to engagement topics identified during our initial analysis, we monitor ongoing developments during our ownership. Areas of concern are identified through several means, including public company statements, external research (including ESG-focused providers), general media and proxy voting guidelines.

FUNDED INVESTMENT

We expect the firms we work with to take account of environmental, social and governance (ESG) risks in their investment process. We believe that this will improve the long-term performance of their portfolios and ensures a better alignment with our own approach.

We meet the managers of all funds we invest in on a regular basis. Where relevant, discussion on material changes to the fund's ESG approach forms a core part of this ongoing engagement, along with other key issues such as ensuring our clients benefit from fair and transparent charging structures. Where possible, we strive to push the benefits of our scale onto our clients through negotiation of lower fees.

Our engagement with third-party fund managers encompasses two aspects: our engagement with the fund manager and investment process itself and the engagement undertaken with underlying fund investments on our behalf.

HOW WE ENGAGE

We prefer to take a supportive rather than adversarial approach to engagement, believing this provides the highest likelihood of achieving positive change. This is reinforced by our investment process, which actively promotes investment in companies and funds that allocate capital responsibly, putting environmental, social and governance (ESG) considerations and sustainability at the centre of their operations. This typically limits our exposure to businesses and jurisdictions in higher risk areas that often require more intensive engagement and significant strategic change, such as fossil fuels, tobacco companies or emerging market economies where environmental regulation is less developed.

ENGAGEMENT ACROSS DIFFERENT GEOGRAPHIES

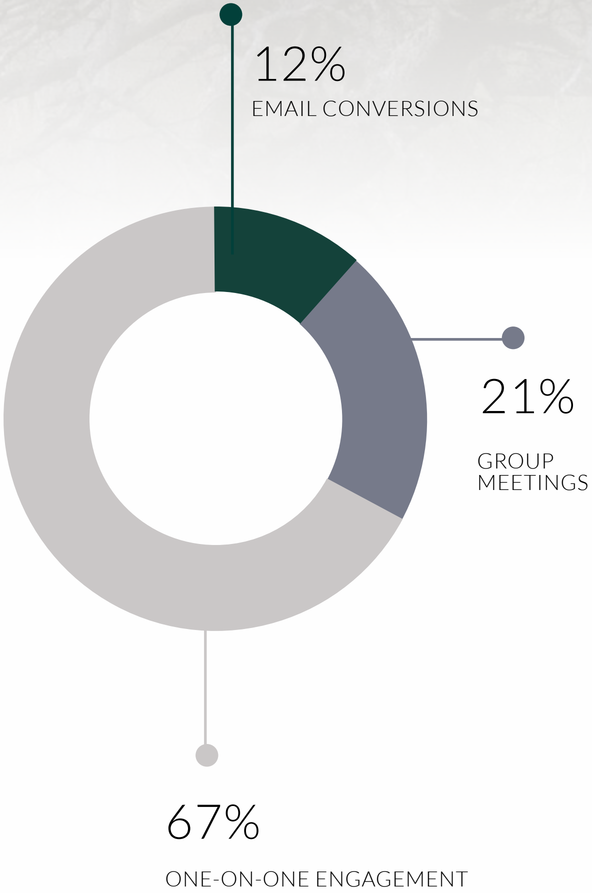
As mentioned in **Principle 7,** we apply the same ESG standards to all companies across all geographies. This includes our approach to engagement although we are aware that there may be cases where we do not have the same access to management.

Please see **Principle 11** for more information on how we adapt our escalation approach to account for regional differences in focus on both specific and wider sustainability issues.

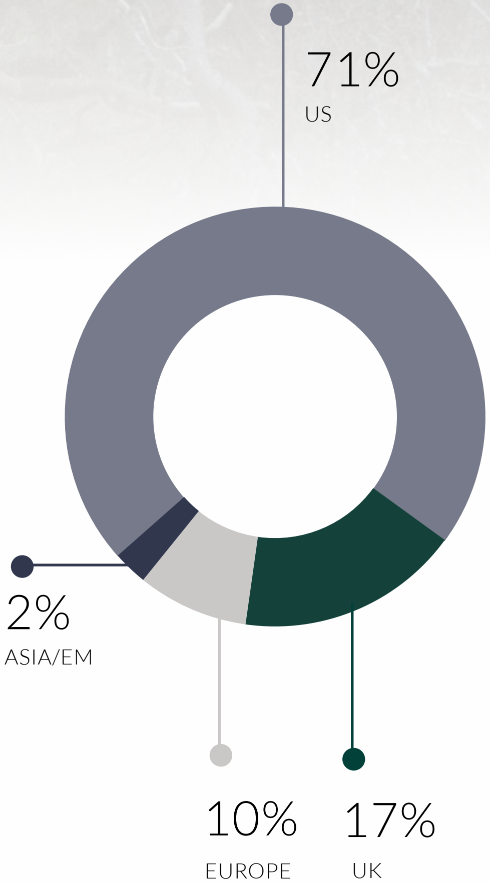
ACTVITY & OUTCOME

A breakdown of our engagement activity where responsible investment issues formed a significant part of the discussion is shown on the following page.

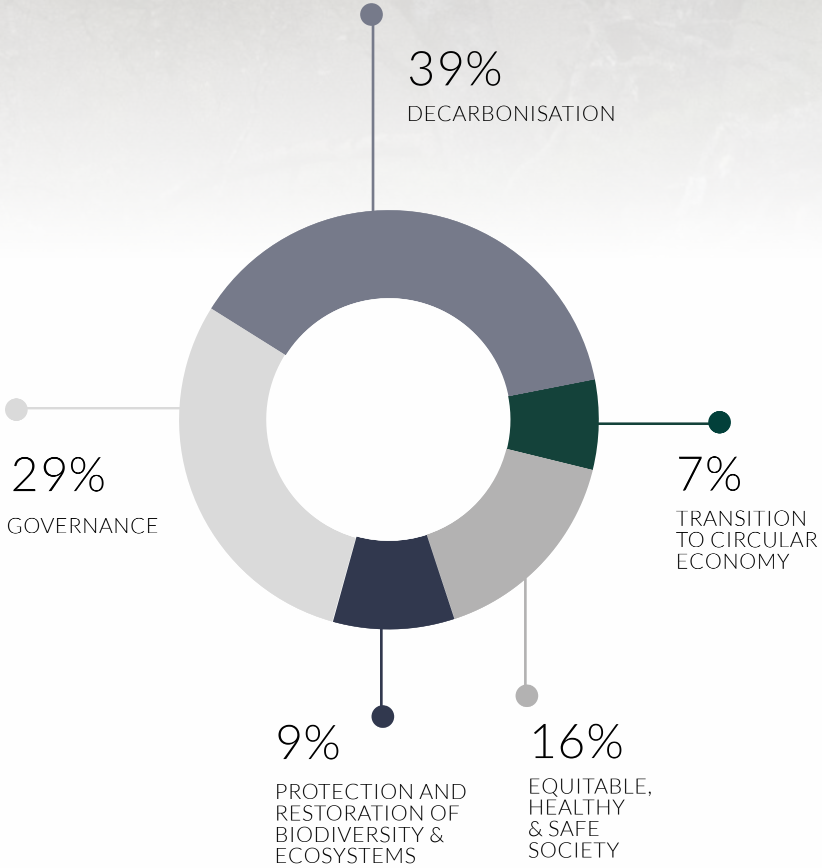
ENGAGEMENT TYPE

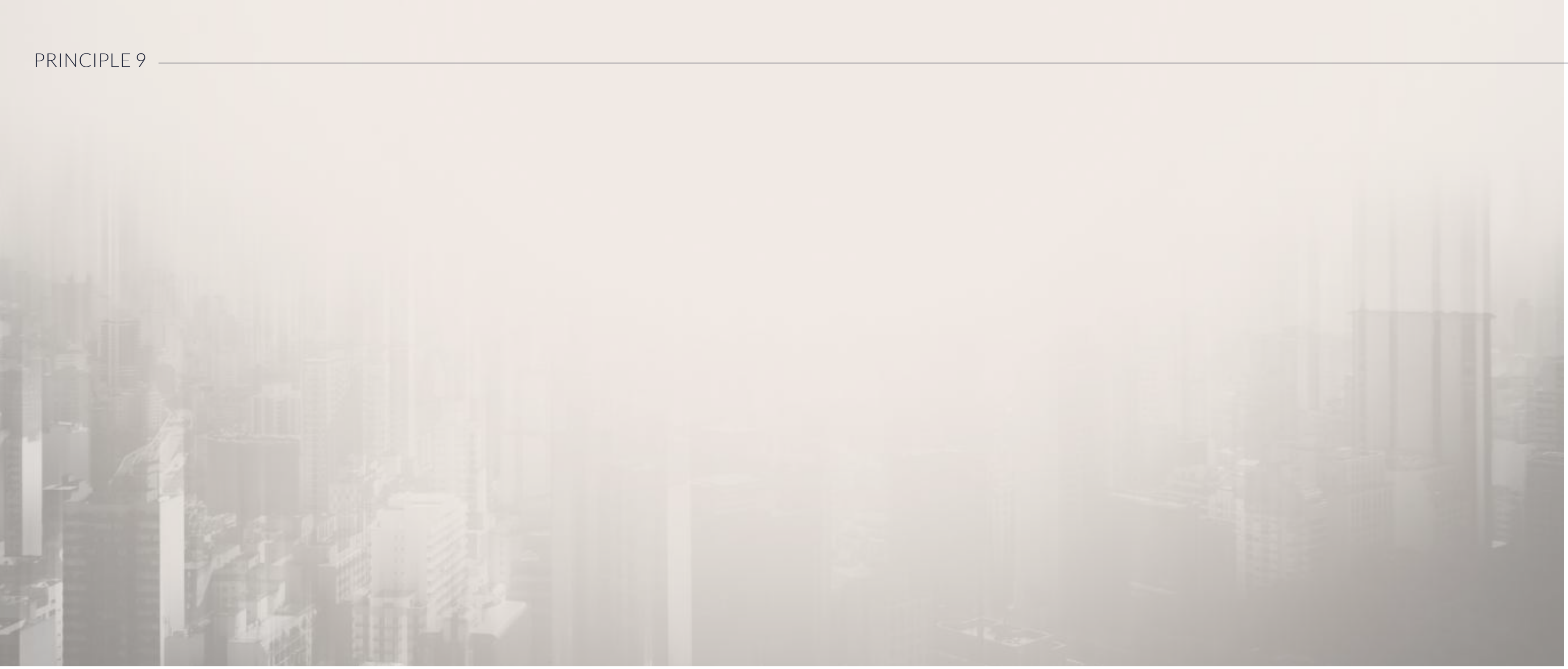


GEOGRAPHIC BREAKDOWN



BREAKDOWN OF ENGAGEMENTS UNDER OUR 5-PILLAR FRAMEWORK





Of our company interaction during the period, over 70% of these meetings either fully or partially focused on areas of potential engagement.

Issues related to decarbonisation strategies remained the most frequent topic of discussion topic in 2022.

As noted in **Principle 4,** we expect all our portfolio companies to measure and report on their greenhouse gas emissions in accordance with a widely accepted reporting framework such as the TCFD and have in place a clear strategy to reduce these outputs in accordance with global efforts to limit temperature rises in line with the UN Paris Agreement. A focus in 2022 was on engaging with remaining portfolio companies that did not meet these criteria, including Intuitive Surgical and Amphenol. Please see examples below for more information on these engagements.

Governance issues were also a common topic during our meetings. Often these are related to executive remuneration plans, although it was pleasing to hear more on topics such as board composition and increasingly robust controls around the integration of sustainability factors across many businesses on our recommended list.

As design and structure of compensation plans can vary widely, we review each policy on a case-by-case basis. We aim to support plans that encourage long-term value creation for our clients and will engage where we deem policies to be excessive, overly complex or short-term focused.

A further area of focus within governance discussions was the extent to which corporate culture played an important role within an organisation. While at an early stage, we are increasingly exploring how companies willing to devolve decision away from central executives can foster an entrepreneurial culture and increased trust and alignment between management, employees, and wider stakeholders (including shareholders). Meetings with UK-based Halma and Sweden's Atlas Copco highlighted the attractions of such a decentralised approach, with both companies enjoying significant employee satisfaction and loyalty – a key ingredient to their long-term success. While neither were owned within portfolios during the period, we are now investigating what ideas can be transferred to all portfolio companies and look forward to reporting on these discussions in next year's report.

BUSINESS-AS-USUAL ENGAGEMENT

'Business-as-usual' engagement with the companies and funds we own is the responsibility of all members of the investment team and will usually be led by the lead analyst on each company or fund. This ongoing engagement with a company or fund manager may be either in writing or through face-to-face meetings. We aim to meet with all our company holdings and fund managers on at least an annual basis.

Given our approach to sustainable investment these meetings typically cover a wide range of topics including business performance, future strategy, and financial risks, as well as more specific ESG issues relevant to the company's operations or fund's investment approach.

Insights gained from these frequent interactions are recorded within the company or fund's respective folder and help develop our long-term investment case for each holding.

CASE STUDIES

DIRECT EQUITIES

1. HERC HOLDINGS INC

Herc is one of the world’s leading equipment rental suppliers. The company rents a wide-range of tools and equipment, such as aerial platforms, earth-moving equipment and forklift trucks, to across the construction, manufacturing and industrial markets.

We met with the company’s CFO in June 2022, which followed meetings with UK-based peer Ashtead in the summer of 2021.

REASON FOR ENGAGEMENT

Build knowledge around extent and durability of rental advantage vs. ownership model in the context of cost and sustainability credentials. To discuss Herc's climate targets, reporting and disclosures in comparison to Ashtead (owned in JH&P portfolios).

OUTCOME

Herc confirmed the rental industry as a beneficiary of increasing sustainability concerns and broadly agreed with previous guidance from peers that each piece of rented equipment helps save 20 other pieces from being needed over an average 7-year lifespan.

Furthermore, as the industry consolidates there are increasing returns to scale for Herc and their larger competitors such as Ashtead. Larger rental companies have the purchasing power and in-house expertise to maintain newer, lower emitting fleets. This allows the likes of Herc to lower their own carbon footprint as well as their customers', while also building better relationships with the communities around their rental stores.

Herc, much like Ashtead, has committed to targets to reduce Scope 1 & 2 emissions intensity rather than absolute levels of emissions. Given the growing nature of both businesses this approach is understandable, but we are continuing to engage with the industry to encourage a commitment to absolute targets where possible. This will likely require greater collaboration between the rental industry and equipment suppliers to develop more efficient, electric and lower-impact machines.

During more recent engagement with Ashtead, it was pleasing to hear that the company will be taking delivery of a range of electric light and heavy commercial vehicles (EVs) in 2023 as they test EVs in their operations. We plan to engage with Ashtead and peers further on this topic in 2023.

CASE STUDIES

2. WOLTERS KLUWER

We continued our engagement with Wolters Kluwer, where, since 2020 we have had an ongoing dialogue with the IR. Our primary concern was around directors' remuneration which seemed excessive when compared to a European peer group. We voted against the proposed incentive plan at the Company's 2020 AGM as a result.

We were invited to meet with the Company's Remuneration Committee in late 2020 to discuss our reasons for voting against the plan and suggestions for improvement, including the introduction of return-on-investment metrics and ESG goals within the new policy. We were therefore delighted to see a new long-term incentive policy proposed at the AGM in April 2021 which addressed all issues raised. The benchmark peer group within the policy has been amended to include a greater number of European peers (likely leading to a lower overall award of pay for management) and return on invested capital and ESG metrics are now included within the management targets (likely leading to increased focus on the sustainability of growth rather than simply the pace).

We voted in favour of this updated remuneration policy in 2021.

We met with the Company again in March 2022 to follow up on the incentive structure change and to learn more about Wolters Kluwer's approach to climate strategy.

REASON FOR ENGAGEMENT

Build greater knowledge around the Company's climate strategy.

OUTCOME

The company were honest about their work in areas such as their carbon footprint, given the difficulties of measuring this and making positive changes. We were pleased to hear more about their commitment to align practices/ disclosures to the TCFD and set Science-Based Targets, with the Company now developing a detailed Climate Transition Plan to be rolled out in the next few years.

We followed up with the Company in March 2023 to enquire about the progress of the Climate Transition Plan and will report findings in next year's report.

CASE STUDIES

THIRD-PARTY ENGAGEMENT ON OUR BEHALF

1. LANSDOWNE EUROPEAN EQUITY FUND - NESTLE

In May 2022 we met with Daniel Avigad, manager of the Lansdowne European Fund, which is held in client portfolios where applicable to the mandate. The fund's approach has many similarities to our own, with ESG a core focus underpinned by a long history of active engagement.

The manager provided several examples of significant engagement and subsequent outcomes achieved during the reporting period, including an engagement with Nestle. This was of particular interest given our direct holdings in the company across many client portfolios.

REASON FOR ENGAGEMENT

Lansdowne met with Nestle's Sustainability Manager to encourage them to become an anchor investor in the alternative protein industry. In Lansdowne's view, the nascent industry has the potential to reduce energy, water, carbon and land usage by over 50% but requires significant support and investment from multinationals with the resources and scale to achieve critical mass.

OUTCOME

Post their discussion, Nestle announced their strategy entry into the alternative meat-based market in July 2022 via a partnership with Future Meat Technologies.

CASE STUDIES

2. FINDLAY PARK AMERICAN FUND – EOG RESOURCES

The Findlay Park American Fund was one of JH&P's earliest third-party investments and remains a holding in client portfolios at JH&P where applicable to the mandate.

The Fund has a long history of considered engagement, aided by its focused approach and single-strategy approach. We have previously considered direct investment into EOG Resources, a US-based oil and gas company, so were interested to be updated on Findlay Park's engagement with the company.

REASON FOR ENGAGEMENT

Findlay Park engaged with members of EOG's senior management team on biodiversity disclosures and targets over multiple meetings between 2021 and 2022.

OUTCOME

EOG confirmed that its approach and disclosure around diversity had been influenced by their engagement with Findlay Park and the company now more explicitly references the mitigation hierarchy within its reporting. EOG also aims to continue to enhance its processes and share best practices across the company.

TARGETED ENGAGEMENT RELATED TO RESPONSIBLE INVESTMENT AND STEWARDSHIP

Potential areas for more targeted ESG-led engagement can be raised by any member of the investment team.

These are then considered by the Responsible Investment Committee (RIC) and assessed against the factors outlined above before a decision is made to engage.

Targeted engagement can be triggered by several factors:

- To address issues identified during our 5-point sustainability analysis. For example, a climate policy that is lacking or of limited ambition, complex local community impacts and relationships or governance issues related to remuneration policies
- A controversy alert by MSCI Analytics
- Where a fund has made material changes to its responsible investing approach
- A significant company-specific event (e.g., Rio Tinto Respect Report, see case study section below)
- Where we vote against management on a material issue (depending on the severity of the issue, votes against the Board of a company can either be addressed through business-as-usual engagement or a specific engagement related to the decision. e.g., Intuitive Surgical's climate strategy, see case study section below)

If we decide not to proceed, the RIC will record the reason for this decision. The RIC also review any specific flags raised by MSCI, our primary ESG research provider, on the same basis to ensure we use our resources proportionately and in a way that emphasises actual outcomes.

Records of correspondence related to targeted engagement are maintained in the respective company folder and summarised in a master spreadsheet with a roadmap of priorities and a plan of future engagement.

All outstanding targeted engagement matters sit as a recurring item on the RIC Agenda.

CASE STUDIES

DIRECT EQUITY ENGAGEMENT ON ESG SPECIFIC ISSUES

1. RIO TINTO

As a global mining company operating in challenging environments across the world, Rio Tinto is arguably our most exposed business to risks involving climate change (and associated regulation), local community relationships and workforce conditions.

Given this backdrop, we have held multiple one-on-one meetings with Rio Tinto over 2021-2022 specifically focused on ESG issues. For details on prior year engagements with the company please see our 2021 Stewardship Code Report.

REASON FOR ENGAGEMENT

In February 2022 Rio Tinto released an independent report into workplace culture which identified disturbing findings of bullying, sexual harassment, racism and other forms of discrimination throughout the company. The report's release trigged a controversy alert by MSCI, which led to the report being discussed at the March RIC meeting.

The RIC then organised one-on-one engagement with the company in March 2022. Areas of focus for the engagement were:

- Understanding the background behind why the report was commissioned and how the findings had been received internally and by large shareholders
- What changes Rio Tinto planned to introduce to address the issues raised
- What measures will be taken to monitor and provide feedback on progress to shareholders

OUTCOME

The Company's new management team should be given some credit for proactively commissioning the report and are seemingly ahead peers in addressing these issues. The review was part of the work being undertaken by Rio Tinto's Everyday Respect task force, which was launched in March 2021 to better understand, prevent and respond to harmful behaviours in the workplace.

While the findings of the report are shocking, we were

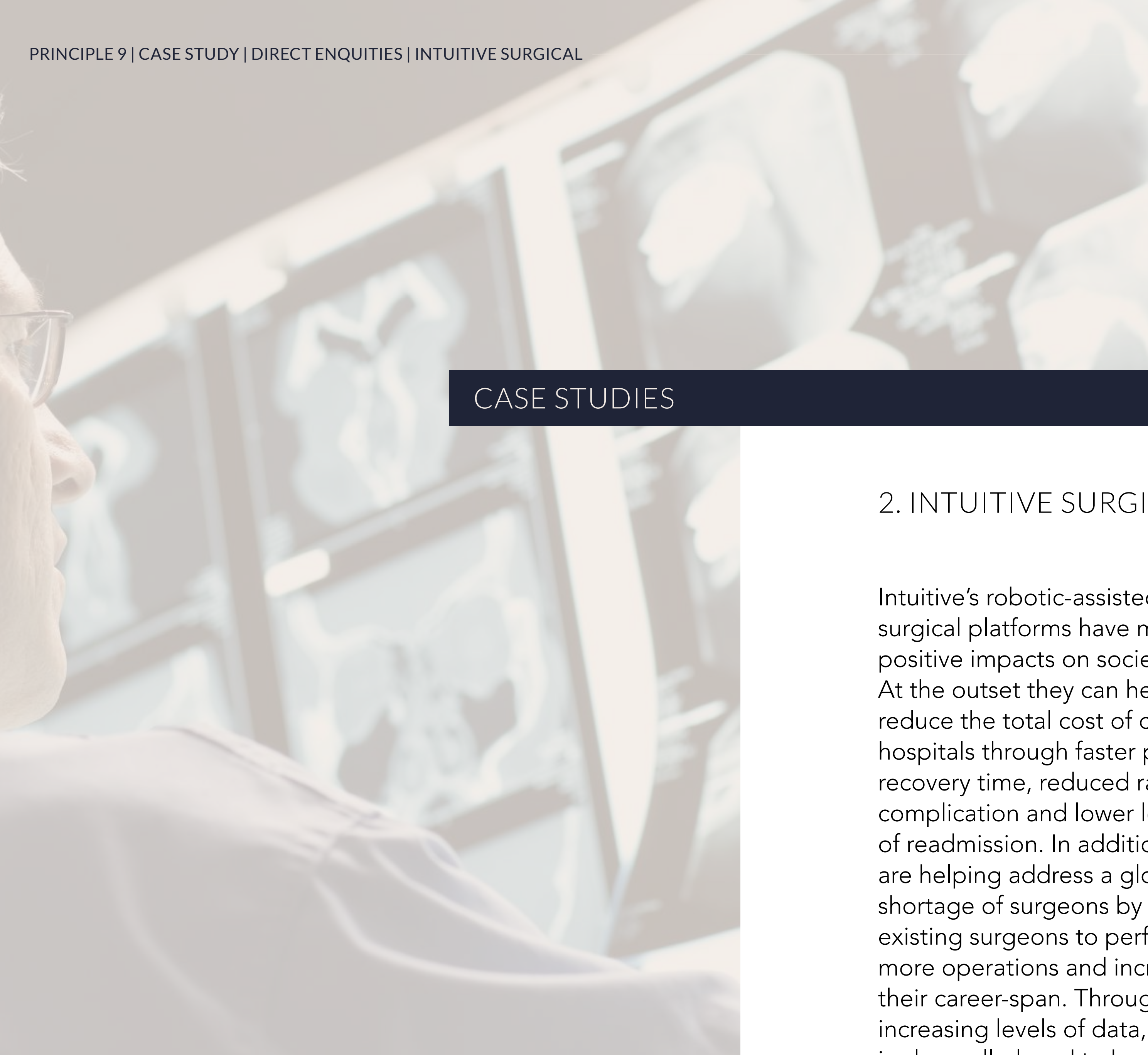
encouraged to hear that Rio Tinto will implement all recommendations from the report, with a focus on three key areas:

- Creating safe, respectful and inclusive working environments to prevent harmful behaviours and better support people in vulnerable situations. This includes increasing diversity within the company.
- Ensuring the company's camp and village facilities are safe and inclusive. This includes making sure the company is applying the same safety and risk processes that it uses to prevent harm in operations to create a safe environment for all employees and contractors.
- Making it as easy and as safe as possible for all people to call out unacceptable behaviours, highlight issues when they happen and receive support. This includes introducing early intervention options and improving how the company responds to formal complaints in the workplace.

The report also found there is strong appetite for cultural change within the company, including at senior leadership levels, and that there was a visible shift in attitudes and behaviour over the last 12 months.

We noted that Rio will repeat the study in two and half years to monitor extent of change following the internal changes. Although not downplaying our serious concerns as to the workplace culture at Rio, particularly given the Company's well-publicised destruction of the Juukan Gorge rock shelters in 2020, we are of the view that the change in Chairman and CEO the disaster prompted has led to a complete review and restatement of the Company's operating principles and culture. The Company has much progress to make, but increased transparency and awareness under the current management team marks a significant improvement to the Company's past.

We will continue to engage with Rio Tinto to press for future updates as to the progress of their implementation of the report's recommendations as well as pressing for increased ambition on their climate related goals as discussed in last year's report.



CASE STUDIES

2. INTUITIVE SURGICAL

Intuitive's robotic-assisted surgical platforms have many positive impacts on society. At the outset they can help reduce the total cost of care in hospitals through faster patient recovery time, reduced rates of complication and lower levels of readmission. In addition, they are helping address a global shortage of surgeons by allowing existing surgeons to perform more operations and increasing their career-span. Through increasing levels of data, Intuitive is also well placed to keep improving the medical outcomes for patients in the future.

While we believe Intuitive's impact on society to be overwhelmingly positive, the company still has risks from an environmental, labour and product safety perspective. In part due to their limited absolute environmental impact, in our view, the company has been slow to establish sufficiently rigorous policies in this area.

REASON FOR ENGAGEMENT

At Intuitive's annual general meeting in April 2022 we voted against the Chair of the Board's re-election as they do not meet the climate policy targets that we expect of companies and state within our voting policy. These targets include:

1. Reporting on Greenhouse Gas Emissions (GHGs) and a clear strategy to limit global temperature rise to 1.5°C by 2050 or before

2. Reporting and disclosure of emissions and climate-related risks using a widely accepted framework such as the Taskforce for Climate-related Financial Disclosures (TCFD)

While we understood that the company was in the process of establishing a quantifiable programme for reducing GHG emissions and intensity, we could not see that this was in place.

Following this vote, we engaged with the Company on this issue with the aim of encouraging them to accelerate their climate strategy. After initial email exchanges, we had a productive call with the Company in October 2022, followed by a further meeting with the Company's new Head of Sustainability in December 2022.

OUTCOME

The management team were clearly aware of the need to improve disclosure and had taken steps to address this, including appointing a Head of Sustainability towards the end of the 2022. In our follow-up call, the new Head of Sustainability in December outlined her focus on implementation in the year ahead.

We were pleased with the increased pace of progress, with carbon disclosures a priority for 2023 and an aim for net zero in the company's European operations by the end of Q1 2023, alongside a TCFD assessment. We will be assessing progress on these targets ahead of the Company's AGM in 2023.

We also discussed animal welfare and the development of employee talent alongside general strategy and will continue to monitor Intuitive's progress in these areas.

James Hambro & Partners is to be included in Intuitive's efforts to assess the most material areas of shareholder attention. We look forward to tracking their progress in 2023 and continuing to work with the Company in the years ahead.

CASE STUDIES

3. AMPHENOL

Amphenol Corporation is one of the world's largest providers of high-technology interconnect, sensor and antenna solutions, leaving it well-placed to benefit from growing electronic content in many end markets.

A defining feature of Amphenol is its decentralised operating structure and culture. Under the parent umbrella, over 130 business units are run with near full autonomy by their general managers, allowing them to react quickly to changing conditions and serve their customers more reliably than peers.

While one of Amphenol's key advantages, this decentralised approach does make setting company-wide targets such as climate policy more difficult.

REASON FOR ENGAGEMENT

At Amphenol's annual general meeting in May 2022, we voted against the Chair of the Board's re-election as they do not meet the climate policy targets that we expect of companies and state within our voting policy.

In line with our escalation policy, we contacted the company post our vote to explain our decision and request a meeting to better understand Amphenol's climate-related strategy. We then met with Amphenol in November 2022.

OUTCOME:

We were encouraged to hear how Amphenol has increased its focus on sustainability throughout the business in the past few years. The Company has recently introduced TCFD reporting and have developed a central approach to sustainability managed by their group-wide health and safety team. This includes the appointment of a new Sustainability Officer.

However, the Company was clear that most of their initiatives will remain driven by General Managers rather than imposed from the group level. Furthermore, committing to absolute carbon targets is complex given growth from acquisitions is a core part of the Amphenol model.

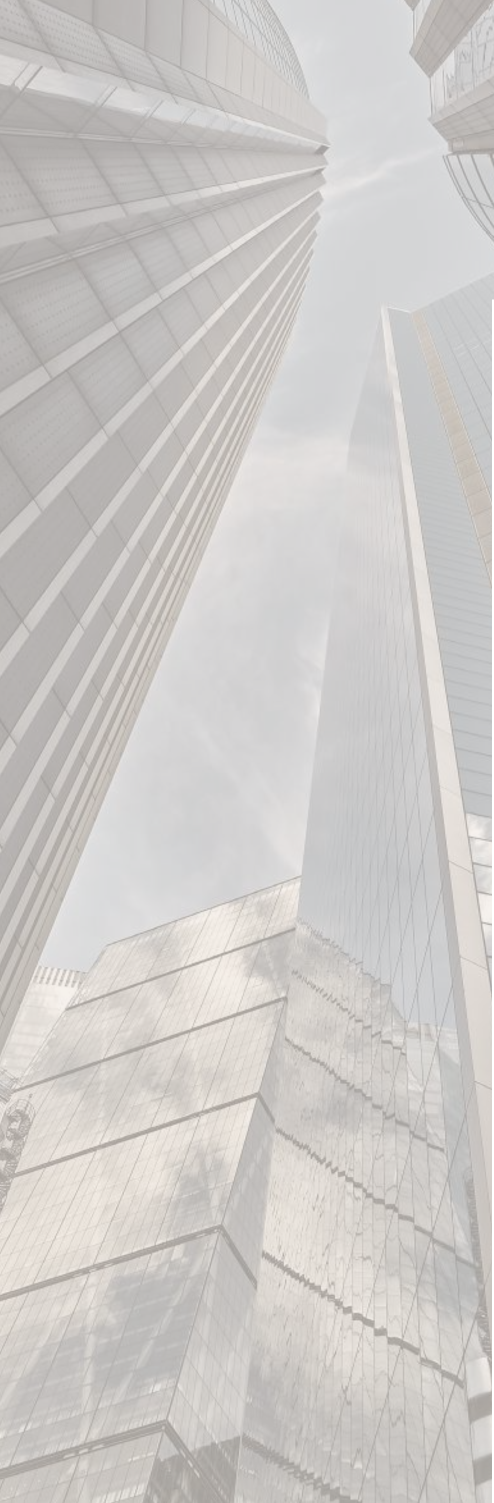
We recognise that the tension that group wide carbon targets can create within decentralised business models but will continue to engage with Amphenol with the aim of accelerating their introduction across the business in the future. We met with the Company's CEO and CFO in 2023 to further understand the Company's thinking in this area and we look forward to reporting our progress in future Stewardship reports.

CASE STUDIES

ENGAGEMENT WITH THIRD-PARTY MANAGERS ON ESG SPECIFIC ISSUES

1. BNY MELLON INVESTMENT MANAGEMENT

In May 2022 we engaged with BNY Mellon following a report detailing that the SEC had found that, from July 2018 to September 2021, the $380bn asset manager did not always conduct the ESG



quality reviews it said it had. The company was fined $1.5m in response for misleading ESG fund statements. BNY agreed to settle the fine without admitting or denying the allegations.

REASON FOR ENGAGEMENT

To better understand the circumstances that led to the fine and what controls, procedures and cultural changes BNY had made in light of the report's findings.

OUTCOME

As part of the engagement, BNY explained that the fine related to marketing materials, prospectuses and Request for Proposals of six US 40 Act Funds.

While ESG considerations are incorporated into investment decisions taken in the six implicated funds, none of them have a specific mandate to follow ESG principles for every investment. Notably, the funds are not part of BNY's "Sustainable" range, which do include ESG investment principles as part of their principal investment strategies.

There were no allegations of investor harm, nor of intentional misconduct. Since these issues were identified, BNY have enhanced and strengthened their internal review processes.

Following the engagement, the Funds team considered BNY's explanation satisfactory and that the report and find should not preclude future investment in BNY investment products.

CASE STUDIES

2. SCHRODER ENERGY TRANSITION FUND

On the 7th of November 2022, MSCI announced that they had added Volkswagen to its UN Global Compact Compliance violator list. The violation was related to allegations around the use of forced labour in the Xinjiang region of China.

Following the announcement, we engaged with Schroders for a formal response to the allegations and the position taken on the issue within the Schroder Global Energy Transition Fund which was owned in JH&P client portfolios where appropriate for the mandate.

REASON FOR ENGAGEMENT

To understand any action taken the Schroder Energy Transition Fund's holding of Volkswagen in light of the UNGC allegations.

OUTCOME

Schroder confirmed that they have sold the investment within the fund.

PRINCIPLE 10 COLLABORATION

ACTIVITY & OUTCOME

COLLABORATION

Our investment process tends to steer us away from companies and sectors with major concerns that are often the focus of collective engagement. Combined with our size, this tends to mean collaborative engagement focused on the specific companies and funds we own is rare.

However, we recognise the benefits of collaboration and collective action on wider responsible investment issues. We are increasingly active members of a select group of responsible investment organisations and continue to search for those where our priorities are aligned; this is particularly important given our size, and requirement for any collaborative engagement undertaken to be constructive.

Through our membership of the UN PRI and the IIGCC we have developed our understanding and involvement in the wider policy framework. Examples of our collaborative work in 2022 is included below.

2022 UN GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS

JH&P is a signatory to the Global Investment Statement on the Climate Crisis.

The Global Investor Statement is a joint statement to all world governments urging them to raise their climate ambitions and implement robust policies.

Following 2021's Global Investor Statement, COP26 marked a significant step forward with many governments strengthening their climate strategies. If implemented, these commitments would reduce the projected level of global warming from 2.7°C to somewhere between 2.1°C and 2.4°C. This is a significant acceleration of action, but much more is needed if governments are to meet the 1.5°C goal which is necessary to avoid the worst impacts of climate change.

2022's statement was signed by 604 investors representing almost $42tn in assets and was released before COP27 in Cairo to coincide with the time when countries and governments should be making enhanced efforts and commitments to reduce emissions.

A link to the 2022 letter is included here.

STATEMENT FROM THE PRIVATE FINANCIAL SECTOR TO THE CONVENTION ON BIOLOGICAL DIVERSITY (COP15)

In addition to the Global Investor Statement, in 2022 JH&P also became a signatory to the Statement from the Private Financial Sector to the Convention on Biological Diversity.

Climate change and biodiversity loss are inextricably linked, and in many ways the biodiversity crisis is harder to manage; for climate change we have a universal metric (tonnes of CO2 equivalent) that facilitates communication and provides a common language for negotiators.

This statement was a call to action by the private financial sector urging governments to provide a post-2020 Global Biodiversity Framework that creates the clarity and action to align all economic sectors (including finance) to halt and reverse nature loss. The statement was signed ahead of COP15 in Montreal, spear-headed by the PRI, UNEP FI and the Finance for Biodiversity Foundation.

We were delighted to see that the conference concluded in December with a landmark biodiversity agreement to guide global action on nature through to 2030. The Global Biodiversity Framework (GBF) aims to address biodiversity loss, restore ecosystems and protect indigenous rights. Importantly the plan includes concrete measures and targets, including putting 30% of the planet and 30% of degraded ecosystems under protection by 2030, as well as proposals to support investment in developing countries.

The GBF will also require companies and financial institutions to monitor, assess, and disclose risks and impacts on biodiversity through their operations, portfolios, supply and value chains. This should dramatically improve assessment and understanding of biodiversity risks that have been poorly disclosed to date.

The measurement and management of biodiversity loss remains in its infancy, though with the adoption of incoming frameworks like the GBF governments and investors can hopefully begin to move the dial.

IIGCC

JH&P work closely with IIGCC's Stewardship and Proxy Advisor initiatives. These groups bring together investors to engage with service providers to help them deliver and improve upon their responsible investment commitments.

For many investors, stewardship – of which voting is a key escalation mechanism – is the principal means of effecting real world decarbonisation. Investors therefore need Net Zero solutions from their service providers.

- **Proxy advisor working group**

In October 2022 we became members of the Net Zero Proxy Advisor Working Group.

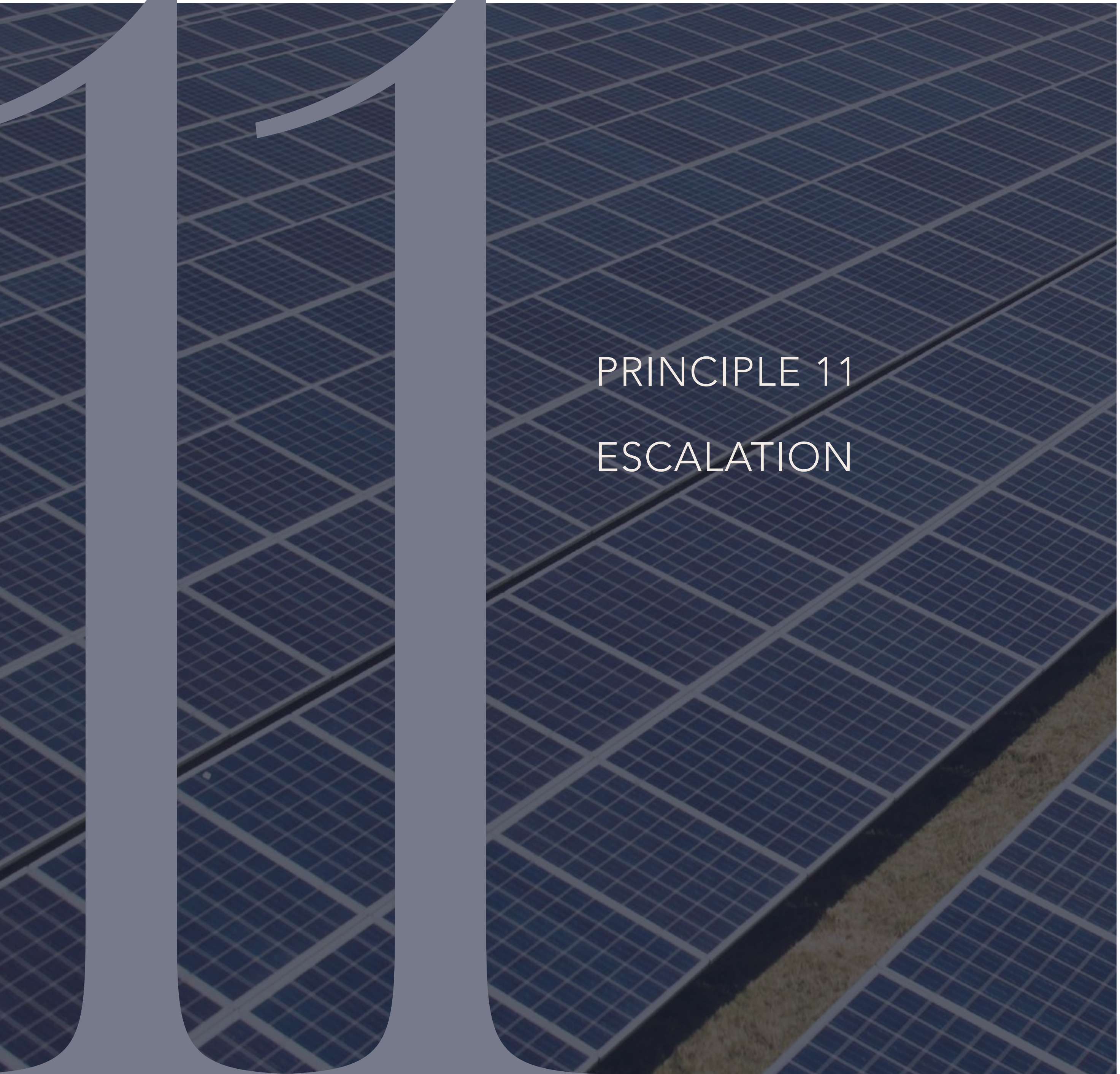
The Working Group is a part of IIGCC's larger Net Zero Stewardship Group, which works with members of the IIGCC, Ceres, Net Zero Asset Managers (NZAM) initiative, Net Zero Asset Owners Alliance (AOA) and Paris Aligned Investment Initiative (PAII) on stewardship tools that will help investors play their part in achieving Net Zero greenhouse gas emission portfolios by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. Over 100 investors from around the world are participating in the group.

The Working Group was responsible for collating investor expectations on net zero voting policies and how proxy advisors can facilitate investors' Net Zero commitments. Letters were then drafted and sent to the two largest proxy advisory firms Glass Lewis and ISS in late 2022. Together, these firms account for over 95% of the proxy advisory market.

The purpose of the letters was to encourage both firms to accelerate their integration of net zero considerations into proxy advice, to develop a suite of proxy advice solutions for investors committed to Net Zero and, where appropriate, to integrate climate considerations into their benchmark policies. These standard policies act as a baseline for many investors' stewardship and voting and therefore provide a powerful means for investors to ensure that companies understand what is expected to thoroughly manage climate risk and set decarbonisation strategies.

Given our proxy advisor relationship, we took particular interest in the wording of the letter to ISS. One area of specific feedback we provided during the process centred raising the bar for Board accountability on climate change. While ISS introduced board accountability on climate during the 2022 AGM season in cases where a Climate Action 100+ company does not have the minimum criteria of disclosure (e.g., TCFD) and quantitative GHG emission reduction targets, in practice this led to limited recommendations to vote against directors. We encouraged the Working Group to push ISS to increase both the minimum criteria and, importantly, the universe of companies covered. Our baseline at JH&P is to consider climate disclosures and targets across all markets and companies, and we believe that ISS should also aim to adopt this practice.

We look forward to reporting any impact these letters and subsequent engagement has had on ISS or Glass Lewis proxy advice in next year's Stewardship Report.



11

PRINCIPLE 11

ESCALATION

ACTIVITY & OUTCOME

ESCALATION – EQUITIES & FUNDS

We recognise that we may have to engage on the same issue on multiple occasions over an extended period to influence change.

As noted throughout this report, our investment approach typically steers us away from investing in companies and funds which face sustainability-related risks that, if not addressed, would lead us to change our investment thesis. Our stewardship activities are therefore focused on issues that will improve the longer-term resilience and competitive position of our investments, making it less likely that we will regularly pursue escalation in the event of unsuccessful engagement.

Notwithstanding this, there are specific areas where we will be more likely to escalate our activities, such as climate-related strategy or remuneration policy changes in direct equities, or fee changes in our funded investments. Where an issue is seemingly not moving forward, for example where a company or fund manager is willing to start engagement but will not necessarily acknowledge our concerns, we will:

- Raise our concerns/aims further up the company or fund's management structure (if possible)
- Consider voting against individual directors where appropriate
- Explore the possibility of collaborating with the largest stakeholders of the company or fund directly, with an aim to raise awareness and seek support from shareholders with potentially greater influence

While engagement is ongoing, we will also determine whether the failure to address our concerns would significantly impact our investment thesis for the company or fund in question.

If we conclude that it does, we will exit the position. If not, we may review the level of existing exposure and record the issue for priority monitoring and discussion during future interactions with the company or fund.

As noted above, all outstanding targeted engagement matters sit as a recurring item on the RIC Agenda.

With the exception of Shenzhou International Group (see below), our direct equity and third-party fund engagements have generally led to constructive ongoing dialogue. As such we have not been required to move beyond our existing engagement activities as detailed in **Principle 9.**

As mentioned in last year's report, we continue to engage with investee companies that do not meet our base climate strategy requirements. As highlighted in our escalation policy above, this has included voting against board directors and raising our concerns with investor relations teams and Company management where necessary. In 2022 this included ongoing conversations with Intuitive Surgical and Amphenol – please see case studies in **Principle 9** for further information.

ESCALATION – FIXED INCOME

As noted in **Principle 7,** while we can invest directly in corporate bonds, our fixed income allocation has for several years focused on developed market government bonds. Given the limited possibility and efficacy of engagement, divestment is more likely to be the escalation action taken should we become sufficiently concerned about sustainability issues impacting our investment objectives in our fixed income investments.

Our investment approach is more likely to lead us to avoid investing in fixed income assets of countries where we had material concerns about such factors – see Chinese government bond example in **Principle 7.**

ESCALATION ACROSS GEOGRAPHIES

We recognise that applying our responsible investing approach across all geographies can be challenging, particularly regarding Governance issues.

For example, separation of CEO and Chair of the Board is a cornerstone of governance in the UK. We believe the Board's ability to hold management to account is weakened when one individual holds both the Chair and CEO role. We will generally vote against this arrangement at our portfolio companies and for proposals to split the two roles if currently combined, but also understand that the combination of the two roles is more common in other jurisdictions and is likely to remain so. This is particularly the case in the US. In these situations, we look for a strong lead independent director and push for the separation of the Chair and CEO roles at next available opportunity.

The degree of focus on wider sustainability issues can also differ by region. For example, we have found that many companies in some Asian markets have less developed climate strategies and less ambitious emissions reductions targets than those based in Europe and North America. We have relatively few direct investments in Asia, but where we do we look to engage and understand the Company's approach. Given this backdrop, we will typically give companies in Asian jurisdictions more time to respond to our areas of concern before progressing through our escalation policy. One such example is our investment in Shenzhou International group, a textile manufacturer based in China.

CASE STUDIES

SHENZHOU INTERNATIONAL GROUP HOLDINGS

Shenzhou is a leading clothing manufacturer based in Ningbo, China, supplying Western and Chinese sportswear brands including Nike, Adidas and Li-Ning.

Shenzhou is in the Hang Seng Corporate Sustainability Index and the Company's leading approach to sustainability was at the core of our early research. Many of the company's manufacturing peers in China and Hong Kong are yet to be able to assess their emissions let alone have Shenzhou's quantifiable emissions targets for CO2 and energy usage. The company pays well above the minimum wage in both Cambodia and Vietnam, and employees benefit from perks such as free health checks, sports facilities, lunches, transportation, overseas trips and international secondments.

However, Shenzhou's overall sustainability disclosure and reporting remains lacking relative to most companies on our recommended list. We tried on several occasions in 2022 to engage with the Company and request a meeting with their management or investor relations team. In 2023 we plan to travel to meet the Company in Hong Kong to directly address our areas of interest and have also been exploring the possibility of collaborating with one our Asian-focused third-party fund managers where there is cross-ownership of Shenzhou shares.

Ultimately if we are unable to achieve any progress with this engagement our final escalation will be to sell our shares. We will update progress on our efforts to engage with Shenzhou in our 2023 Report.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

CONTEXT

Voting rights give us the opportunity to participate in the stewardship of the companies in which we invest on our clients' behalf. We believe companies that allocate capital responsibly, by putting environmental, social and governance considerations at the centre of their strategic frameworks, are more likely to succeed in the longer term than those companies that do not.

Automatic email alerts from our proxy advisor ISS are used to notify us of upcoming meetings for companies on our recommended list. These are sent to the Responsible Investment Lead, as well as the Head of Investments, Chair of the Responsible Investment Committee and the Heads of the Direct Equity team. The Responsible Investment Lead has primary responsibility to monitor these upcoming meetings, review voting intentions and ensure all votes have been made in line with JH&P's policy. The Responsible Investment Lead also formally collates and presents our voting activity to the firm on a quarterly basis.

For voting on direct equities, the lead analyst, if not already a member of the Responsible Investment Committee (RIC), is also canvassed as part of the voting decision process, as it forms another key source of information for the companies in which we invest.

For our fund holdings, we gather information in our due diligence process on stewardship, engagement and voting practices at the fund house level and the individual fund level. A sub-group of the RIC reviews and ratifies voting decisions, and the implementation of votes is carried out by ISS.

JH&P VOTING POLICY

JH&P emphasises a consistency of investment approach and client experience. As a discretionary investment manager, our clients have given us the authority to undertake voting activity on their behalf. Clients, therefore, do not have the ability to apply their own voting strategy. Given our relative size, this also ensures that our vote has the greatest impact and promotes a clear message to the management teams and third-party funds in which we invest.

We do not engage in stock lending, allowing us to vote for all shares held on behalf of our clients.

Our voting guidelines draw on relevant codes for the markets in which we invest, including the Financial Reporting Council's UK Corporate Governance Code and UK Stewardship Code, and the OECD Principles of Corporate Governance.

Given the significant variation across markets, our guidelines cannot and do not seek to provide an exhaustive list of policies on all voting matters but set out our broad position on topics that frequently appear on the agenda of shareholder meetings. These include:

BOARD OF DIRECTORS

While the structure and operation of the Board will differ across jurisdictions, we believe several fundamental principles should apply:

Boards should be sufficiently independent from management to ensure objectivity and effective challenge on corporate strategy and issues.

Board composition should be sufficiently diverse in terms of background and expertise, and members should add value to the board through their specific skills and by having time and commitment to serve effectively. Boards should be responsive and accountable to shareholders, having to stand for re-election at regular intervals.

REMUNERATION

Pay structures should be appropriate, easy to understand and linked to long-term value creation. We believe executive share ownership can act as the most simple and effective way to align interests with shareholders, provided shareholdings represent a material proportion of the executives' remuneration and overall wealth.

ACCOUNTS, AUDIT & OPERATIONAL ITEMS

Reports and accounts should provide a transparent and accurate review of both a company and management performance. Reports should be set out in clear language, with supplementary information provided in instances where adherence to accounting rules may result in a misleading picture of a company's financial health or performance.

Independent and effective external auditors are necessary to ensure good corporate governance and verify the financial performance of the company.

SHAREHOLDER RIGHTS & CAPITAL STRUCTURE

Changes to a company's capital structure can have a significant impact on existing shareholders' claims in the future. Our voting policy around these issues is designed to protect our clients' long-term interests.

ENVIRONMENTAL & SOCIAL ISSUES

Consistent with our ESG integration philosophy, we assess companies' performance on environmental and social issues we deem to be material to long- term financial performance, and we support shareholder proposals where we think doing so can encourage improvement on relevant issues.

Further information can be found in our voting policy, which is on our website.

ACTIVITY & OUTCOME

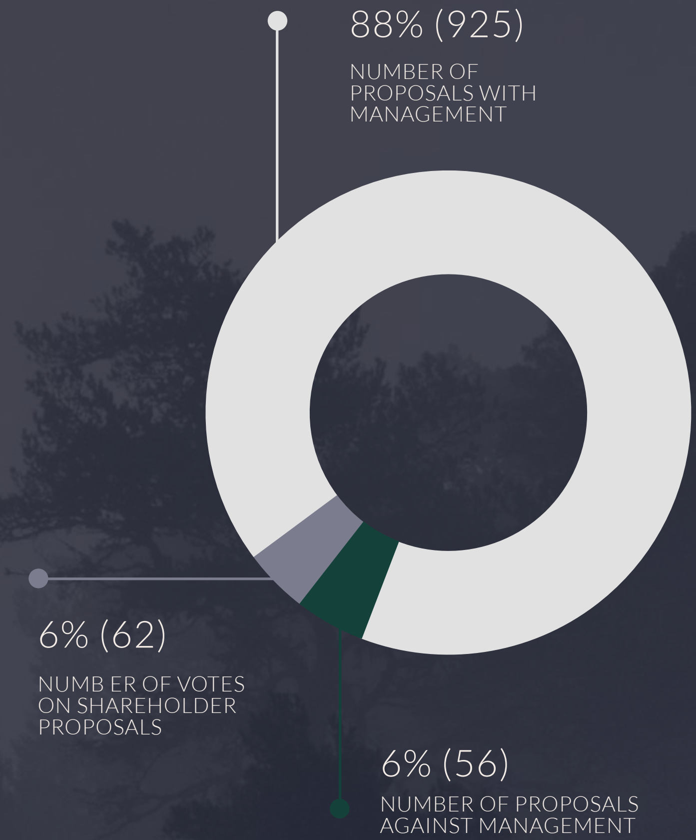
We aim to vote on all equities and investment trusts held on our recommended lists.

In 2022 we voted at 62 meetings (95% of available meetings[1]). In 43 of these we voted with management on all proposals; in 19 meetings we voted against management on one or more proposals.

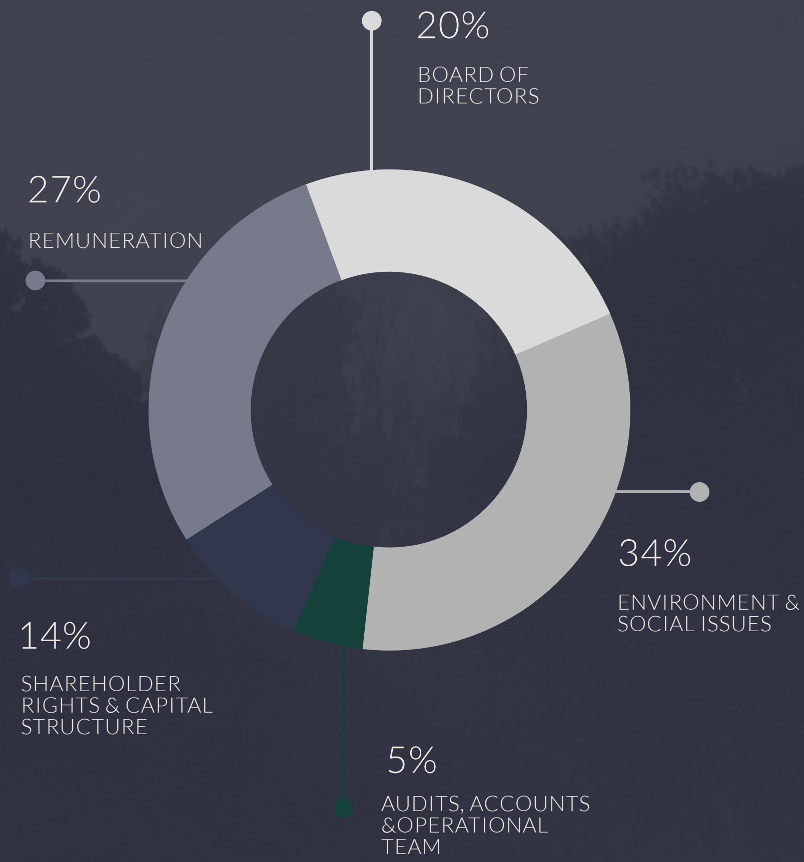
[1] We seek to exercise our clients' voting rights on all our investments. However, in three of our meetings, we were unable to vote a small number of proposals for some nominees due to the requirement for us to establish Power of Attorney arrangements, which, due to our small shareholdings, would not have been cost effective for our clients.

VOTING OVERVIEW

PROPOSALS OVERVIEW



VOTES AGAINST MANAGEMENT



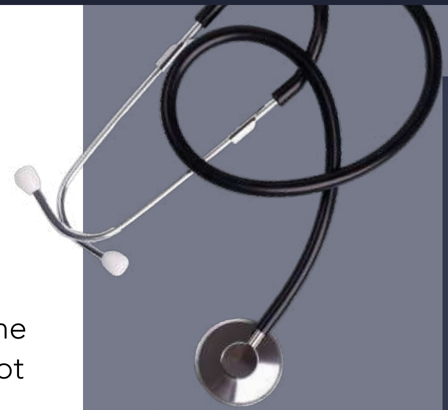
In our previous report, votes related to remuneration were most common, following the exceptional circumstances of Covid-19 that altered business-as-usual operations for most companies.

During 2022, we voted against management most frequently on environmental and social issues. We explore some of these votes in more detail below.

As noted in this report, voting alone is often not an effective route of engagement. Where we vote against management on a significant issue, we seek to explain the reason for our decision and open a dialogue for ongoing engagement. Please see the Intuitive Surgical case study on page 86 for an example of how we link voting with future engagement to encourage positive outcomes.

A summary of key votes and outcomes in 2022 is included in the following pages. Full voting records for 2022 are available on our website [or via this link.]

CASE STUDIES



INTUITIVE SURGICAL

SUMMARY

We voted against the Chair of the Board's re-election as they do not meet the climate policy targets that we expect of companies and state within our voting policy.

OUTCOME

We wrote to Intuitive to explain our decision and encourage the company to develop their climate strategy. This was followed by several meetings with the Company, including the new Head of Sustainability in December 2022. Since the AGM in April 2022, Intuitive have made carbon disclosures a priority for 2023, and are aiming for net zero in the company's European operations by the end of Q1 2023, alongside a TCFD assessment.

COMPASS GROUP

SUMMARY

We voted against the Company's updated remuneration policy due to the significant increase in maximum rewards available through their long-term incentive plan. We viewed the increase as unnecessary and not sufficiently justified, especially given a) the existing policy was only recently approved at the 2021 AGM and b) more challenging performance targets have not been introduced to justify the additional reward.

OUTCOME

The remuneration policy was passed but with only two-thirds support from shareholders. We hope the relatively high level of dissent will encourage Compass's remuneration committee to evaluate the changes to the policy and consider enhancing the performance targets to more adequately reflect the increased potential rewards available. We will continue to monitor Compass's approach to executive compensation and will consider voting against the re-election of the head of the remuneration committee in 2023 if there is limited progress on this issue.

CASE STUDIES

ALPHABET

SUMMARY

We voted for several shareholder resolutions where we believe enhanced disclosure would be helpful for shareholders. These included votes on a report political lobbying, environmental impact and Alphabet's human rights policies.

OUTCOME

Although no shareholder resolution passed, support ranged from 20-33% across the proposals. As one of the largest and most influential Companies in the world, we will continue to urge Alphabet to be at the forefront of shareholder disclosure and to use its influence to promote sustainable practices across its own business and wider industries.

AMAZON

SUMMARY

We voted for several shareholder resolutions including proposals for Amazon to publish reports on Customer Due Diligence, Climate Lobbying, Gender/Racial pay gaps, and efforts to reduce plastic use.

OUTCOME

Although no shareholder resolution passed, support ranged from 20% to almost 50% in the case of the plastic pollution report proposal. Support for such shareholder proposals has continued to rise over the past several AGMs and we plan to continue to support similar proposals in 2023.

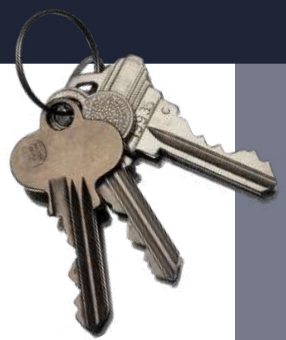
SUMMARY

We voted against executive compensation given, in our view, the excessive nature of the equity grant to the new CEO, which lacked any performance conditions.

OUTCOME:

The proposal passed with a narrow majority (56% voting for). In light of the remuneration committee's poor response to low vote support we have since proceeded to vote against the re-election of compensation committee members at Amazon's 2023 AGM.

CASE STUDIES



ALLEGION

SUMMARY

We voted against the Chair of the Board's re-election as they do not meet the climate policy targets that we expect of companies and state within our voting policy.

OUTCOME:

The vote passed with around 95% support. We wrote to Allegion to explain our decision and encourage the company to develop their climate strategy. The Company's approach to sustainability lags its European peer Assa Abloy and was a contributing factor to our decision to sell our positions in Allegion in the second half of 2022.

JP MORGAN CHASE

SUMMARY

We voted against executive compensation given the significant one-time award of stock appreciation rights (SAR) given to the CEO and another non-executive officer. The awards lacked performance-vesting criteria or even a premium exercise price, and highlighted the concerns created by the executive pay programme's ongoing reliance on discretion to determine annual incentives.

OUTCOME

Almost 70% of shareholder votes did not support the advisory vote. In response, the Company's remuneration committee have since shown a willingness to engage with shareholders, including disclosing transparent shareholder feedback, making positive pay program commitments and changes to their policies that addressed shareholders' primary concerns, most notably by committing to not grant any future special awards of this type.

James Hambro
& Partners